PARLIAMENTARY DEBATES

(HANSARD)

SIXTH SERIES—VOLUME 513 (Part 1)

HOUSE OF COMMONS

OFFICIAL REPORT

FIRST SESSION OF THE FIFTY-FIFTH PARLIAMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
FIFTY-NINTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SESSION 2010–2011

COMPRISING PERIOD
5 July 2010—15 July 2010

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5 July 2010

THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

IN THE FIRST SESSION OF THE FIFTY-FIFTH PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 18 MAY 2010]

FIFTY-NINTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES **VOLUME 513**

FOURTH VOLUME OF SESSION 2010-2011

House of Commons

Monday 5 July 2010

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

DEFENCE

The Secretary of State was asked—

Unmanned Aerial Vehicles

1. **Mike Crockart** (Edinburgh West) (LD): If he will discuss with his French counterpart joint UK-French procurement of medium-altitude, long-endurance unmanned aerial vehicles. [5303]

The Secretary of State for Defence (Dr Liam Fox): I am sure the whole House will wish to join me in paying tribute to the Royal Marine who died in Afghanistan last Thursday. His family and friends are in all our thoughts and prayers at this very difficult time for them. We are very fortunate to have such men in our armed forces.

I will be discussing a range of issues when I next meet my French counterpart. I would expect the subject of unmanned aerial systems to be among them.

Mike Crockart: I thank my right hon. Friend for his response, but what assurances can he give me that the progress made by the UK recently in technological advances in UAV research, which have been particularly effective in the fight against improvised explosive devices in Afghanistan, will not be lost owing to budget cuts coming up in the Ministry of Defence?

Dr Fox: Both Britain and our key partners have defence aerospace skills and technologies that we wish to maintain as sovereign capabilities. As part of assessing any procurement system—we have made no decisions—the impact on critical UK aerospace skills and capabilities will be considered in the strategic defence and security review, as well as in the upcoming budgetary rounds.

Mr Denis MacShane (Rotherham) (Lab): But is the Secretary of State aware that the French are thinking of buying in the Reaper drone from General Atomics because their EADS also is so far behind in producing this kind of essential new weapon? After reading your interesting interview in *The Independent* today, Mr. Speaker, I wonder if you are aware of the report by two French Deputies exactly on drones, produced last December in the French National Assembly—a 90-page specialist report by a Socialist and a Conservative MP presented to the French Ministry of Defence? Do we not need such input from MPs to try to help the Secretary of State as he makes decisions?

Dr Fox: I am always open to the help offered by the right hon. Gentleman. Perhaps one day we will find a use for it. We are indeed in discussions with the French about joint procurement, but a decision by the French to join Predator would not necessarily preclude them from joint procurement in the future with the United Kingdom on long-term solutions.

Trident

2. **Chris Heaton-Harris** (Daventry) (Con): When he plans to publish the results of the Trident value-for-money study. [5304]

The Secretary of State for Defence (Dr Liam Fox): The Ministry of Defence's work on the value-for-money study should be completed at the end of this month.

The findings will go to the Cabinet Office, and will then be considered by the National Security Council. The council's conclusions will inform the strategic defence and security review and the comprehensive spending review, which will be published in the autumn.

Chris Heaton-Harris: I thank my right hon. Friend for his answer. Will the results of the value-for-money study include plans on the infrastructure that supports our deterrent?

Dr Fox: It might help the House if I tell my hon. Friend that the programme will cover the timetable itself, submarine numbers, the number of missiles, missile tubes and warheads, infrastructure and other support costs, and the industrial supply chain.

Katy Clark (North Ayrshire and Arran) (Lab): Given that Trident is costing us perhaps £1 billion or £2 billion every year, and an estimated £96 billion over its entire lifetime, does the Minister agree that we should listen to the military figures who are increasingly saying that it is not necessary and counting it as something to be considered in the comprehensive spending review?[1]

Dr Fox: Ultimately, it is up to the Government to decide what the policy should be. There is a wide range of advice, military and otherwise. The House came to the conclusion that it did in 2007 on the basis that we believed that that was a cost-effective way for this country to go forward with a nuclear deterrent. We know that abroad there are a number of countries trying to develop nuclear weapons. We do not know what will happen between now and 2015—the time scale for the Trident replacement programme—and we cannot play fast and loose with Britain's defences.

NATO

3. **Bob Stewart** (Beckenham) (Con): What recent progress has been made on the reform of NATO. [5305]

The Parliamentary Under-Secretary of State for Defence (Mr Gerald Howarth): In 2009, NATO agreed a series of measures to improve working practices in its headquarters in Brussels, and a new defence planning process better to help allies develop, acquire and maintain the capabilities required for the full range of NATO missions. Work to reform NATO's resource management, rationalise its agencies and streamline its command structures is also under way, and should be agreed by the NATO summit in Lisbon in November.

Bob Stewart: Will the new structure that is in place in NATO be altered again so that we get better results from our operations out of area, particularly in Afghanistan?

Mr Howarth: My hon. and gallant Friend makes a very good point, and at the NATO Defence Ministers' summit last month my right hon. Friend the Defence Secretary made it clear that command structure reform is a key priority for the United Kingdom and for the alliance, because NATO's structure is too big and static, and too much is simply not geared up for the missions that we are undertaking, such as in Afghanistan. The House might like to ponder on the fact that, significantly, NATO did not employ elements of its command structure in any meaningful capacity in Afghanistan; instead, it put together a bespoke operation.

Sir Peter Tapsell (Louth and Horncastle) (Con): As the role of NATO in Afghanistan is increasingly criticised and the threat of terrorism here comes far more from our own disaffected Muslims than from the Tora Bora mountains, is it not rather bizarre that from on high we have heard recently that there are likely to be cuts in our counter-terrorist units here while we continue to sacrifice the precious, heroic lives of our young people in an unnecessary and unwinnable war against the Pashtun tribes?

Mr Speaker: Order. I know that in the reply from the Front Bench the hon. Gentleman will of course refer to the reform of NATO.

Mr Howarth: I have quite a few challenges, Mr Speaker, but that is one that I am not entirely geared up to meet in the light of the observations and question from my hon. Friend. His views are well known and I have a huge admiration for him, but I have to tell him that I am not responsible for the resources that are devoted to counter-terrorist operations. None the less, I can tell him that there is a very clear view from the Government Front Benchers here that the mission in Afghanistan is a NATO mission. It is not an American mission; it is not even an Anglo-American mission. It is a NATO mission, and it is extremely important that that mission succeeds.

Military Equipment Expenditure

4. **Claire Perry** (Devizes) (Con): What estimate he has made of his Department's expenditure on military equipment in 2010-11; and if he will make a statement. [5306]

The Parliamentary Under-Secretary of State for Defence (Peter Luff): The Department's current planned expenditure on the procurement of military equipment—excluding urgent operational requirements for Afghanistan—for the financial year 2010-11 is £6.6 billion, of which £5.5 billion is capital expenditure. In addition, planned expenditure on the associated military equipment support costs for the financial year 2010-11 is £6.3 billion, of which £1.6 billion is capital expenditure.

Claire Perry: Will the Minister confirm that he has digested fully the lessons of the Bernard Gray report, which was suppressed by the previous Government and, when released, suggested that £2.5 billion was being wasted on procurement procedures? When will he update the House with the new procurement procedures?

Peter Luff: I congratulate my hon. Friend on a very sensible question. Labour's record on debt and financial instability makes that challenge even more important than it already was. I have digested the lessons of that very important report, the strategy for acquisition reform continues, and I hope to report to the House at a later date.

1. *[Official Report, 19 July 2010, Vol. 514, c. 1-2MC.]*

Angus Robertson (Moray) (SNP): The Government recently made a commitment to publish regional and national defence expenditure statistics and then, within days, reneged on it. Does the MOD have any commitment to equitable defence spending throughout the UK?

Peter Luff: If Scotland accepted the case for the nuclear deterrent, the hon. Gentleman's argument would be a lot more impressive.

Mr James Arbuthnot (North East Hampshire) (Con): It is good to hear about the Department's planned expenditure and, particularly, from my hon. Friend. Last year, on 20 July, the Ministry of Defence published its accounts, which set out the planned expenditure, and for the third year running those accounts were qualified. Will they be published again this month, and will they be qualified again this year?

Peter Luff: They will be published at a very early date, and I am sure that my right hon. Friend's Committee will take a very close interest in them when they are.

Mr Bob Ainsworth (Coventry North East) (Lab): In December last year, I announced £150 million to improve the capacity of our counter-improvised explosive device teams in Afghanistan, and, as that is the highest threat level that our forces face, expenditure was kept under review. Recently, the Prime Minister announced another £67 million for the same purpose, and I welcome that, because it is really needed. However, will the Minister clarify the situation? The Prime Minister has repeatedly said that that £67 million will double the number of counter-IED teams. Is that true?

Peter Luff: The £67 million is intended to provide enhanced protection for our teams in Afghanistan and additional mine-detecting equipment, and to procure working dogs—a very effective part of counter-IED work.

Mr Ainsworth: I understand that, and it is welcome. That is exactly what I put in place when I was doing the job that the hon. Gentleman and his team are doing now, and I kept that need under review. However, is it all new money, and will it do what the Prime Minister repeatedly said it would? He said in terms, "We are doubling the counter-IED teams." He cannot double the counter-IED teams for £67 million. Let us have a straight answer.

Peter Luff: The right hon. Gentleman is understandably concerned, as this is about a very important threat to our armed forces. I can tell him, however, that the difference between this Government and the previous Government is that we have found the money that is crucial in dealing with this threat, and lectures on new money or old money come very ill from him. In the past, commitments were made for many things, but we are actually going to find the money and deliver this vital tool for our armed forces serving in Afghanistan.

Cadet Forces

5. **Charlotte Leslie** (Bristol North West) (Con): What plans he has for future support for cadet forces. [5307]

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): The Government remain committed to the cadet movement, the origins of which date back 150 years. It is one of the oldest and most successful voluntary youth organisations in the world. The strategic defence and security review is looking at all areas of defence, and it would be wrong to speculate on its conclusions.

Charlotte Leslie: I thank my hon. Friend for his answer. Will he join me in paying tribute to the Avonmouth and Filton sea cadets in my constituency, with whom I actively work, and to the volunteers who give up so much of their lives for these organisations? Can he assure me that they will continue to have Government support, since the role they perform is so valuable and they do not always perform it in the best of facilities?

Mr Robathan: I can certainly reassure my hon. Friend that I pay tribute to those organisations. The cadet movement is extremely important; as I said, it is one of the most successful voluntary youth organisations in the world. It has been somewhat under-appreciated in past years, and we very much hope that it will now raise its levels of appreciation. Indeed, tomorrow I am going to the march-past and parade in the Mall to celebrate 150 years of the cadet movement.

Mrs Madeleine Moon (Bridgend) (Lab): During the series of Government cuts that we all face, will the Minister consider whether buildings belonging to the Government that are being closed could have a future life in providing headquarters for the cadet movement? Many cadet forces are struggling to find accommodation, and there could well be small offices or equipment stores that they could use. Will he look at that, please?

Mr Robathan: I would be very happy to look at it. The Government welcome any submissions, from wherever, about broad or individual cases such as those that the hon. Lady mentions. We cannot prejudge the results of the SDSR, as she will understand, but I would, by all means, be grateful if she would make a submission on individual or general cases.

Patrick Mercer (Newark) (Con): I am lucky enough to be the Honorary Colonel of Nottinghamshire Army Cadet Force—a famous fighting unit. We provide almost 60% of our soldiers—cadets—as recruits for the regular Army. Sadly, too many of these individuals are going to Lincoln and Nottingham Army careers information offices and finding that they are being turned away having been told that there is a delay of at least nine months, and in many cases 12 months, before they can join the regular Army. I do not find that acceptable.

Mr Robathan: Nottinghamshire Army Cadet Force is very privileged to have my hon. Friend as its colonel, and I know that he will do very good work for it given his gallant past in the Army.

Regarding recruitment, at the moment the Army, in particular, is almost exactly at full recruitment levels, and there are therefore no places available. However, as my hon. Friend will know from his past experience, these things change literally by the month. I hope that the keen cadets from Nottinghamshire will continue to come forward, and I hope that we can find places for

them in the Army. However, especially when we are considering an SDSR, I am afraid that we cannot swell the Army just because there are excellent recruits coming forward; we look forward to seeing them.

Aircraft Carriers

6. **Mr Stephen Hepburn** (Jarrow) (Lab): What his plans are for the future of the aircraft carriers programme. [5308]

The Parliamentary Under-Secretary of State for Defence (Peter Luff): As the hon. Gentleman will be aware, we are in the process of carrying out a strategic defence and security review within which all aspects of the defence programme, including the Queen Elizabeth class aircraft carriers, will be examined. The impact on any specific equipment projects will be announced following the conclusion of the review in the autumn.

Mr Hepburn: I thank the Minister for that reply, but urge him to stand by the Defence Secretary's pre-election comments and statements saying that these particular carriers were of urgent and vital importance to Britain's defence. May I urge the Minister to give full steam ahead to these projects and invite him to meet me at my constituency shipyard to discuss the matter further?

Peter Luff: I would be delighted to meet the hon. Gentleman in his constituency and look forward to doing so on a mutually agreeable date. However, he will understand that with a strategic defence and security review going on, it is impossible to give the type of commitment that he seeks. I wish I could, but I cannot.

Trident

7. **Diana R. Johnson** (Kingston upon Hull North) (Lab): What recent discussions he has had on alternatives to the Trident nuclear deterrent. [5309]

The Secretary of State for Defence (Dr Liam Fox): The Government are committed to retaining a minimum nuclear deterrent based on Trident. We have commissioned a review to scrutinise existing plans to renew the deterrent, to ensure value for money.

Diana R. Johnson: Have the Liberal Democrats put forward their alternatives to Trident as set out in the coalition agreement, and if so, what are they? They kept very quiet during the general election about what they were.

Dr Fox: I am responsible for a lot of things, but the Liberal Democrats' answers on specific points of policy are a matter for them, not for me. The coalition agreement is very clear that although the Government have set out their policy, the Liberal Democrats are very good at coming forward with their own particular solutions, as I can make clear to the hon. Lady.

Dr Julian Lewis (New Forest East) (Con): In the inexplicable absence of any Liberal Democrat on his feet, may I ask my right hon. Friend whether he agrees that as an alternative to Trident, the idea of putting nuclear-armed cruise missiles on Astute class submarines would be more expensive and less effective, would put the submarines at risk and, because one cannot know what sort of warhead is on a cruise missile until it has landed, could start world war three by accident? Does he agree that apart from that, it is a great Liberal Democrat idea?

Dr Fox: I am unlikely to be tempted down that route.

As the House will know, when we considered the entire issue in 2006 and 2007 we looked at options for other systems, including cruise missiles, silo-based missiles and air-launched weapons. Those other options were discounted due to effectiveness and cost. That analysis has not changed, and alternative systems will not be considered as part of the value-for-money review.

Armed Forces Accommodation

8. **Natascha Engel** (North East Derbyshire) (Lab): What steps he plans to take to improve the standard of armed forces accommodation; and if he will make a statement. [5311]

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): The coalition Government place a high priority on the welfare of service personnel and their families. We will look at whether there is scope to refurbish the armed forces' accommodation from efficiencies within the Ministry of Defence.

Natascha Engel: I thank the hon. Gentleman for that answer, because as he is fully aware, the Labour Government put aside £3 billion to improve the living accommodation of the armed forces. Has that money been ring-fenced to protect it from the 20% Treasury cuts?

Mr Robathan: The last Administration may have put aside a great deal of money, but they did not say where it was coming from, and indeed the money did not exist. As the hon. Lady will know, we are living with the serious economic and financial conditions that the last Administration put in place. In the SDSR we will prioritise the needs and accommodation of defence personnel and their families.

Mr Julian Brazier (Canterbury) (Con): Does my hon. Friend agree that as well as being extremely important to the regular armed forces, accommodation is also crucial to the reserve forces and cadets? Following the earlier question of the hon. Member for Bridgend (Mrs Moon), may I urge him to examine the remarkable work of Greater London Reserve Forces and Cadets Association in finding ways of saving money by sharing cadet accommodation with a variety of different youth organisations?

Mr Robathan: My hon. Friend has been explaining the situation of the reserve forces to me for a very long time, and as he knows, I broadly agree with him. He makes a very sensible suggestion, and I would be most grateful if he made a written submission. If we can save money and be more efficient, we would certainly be delighted so to do.

Mr Kevan Jones (North Durham) (Lab): For starters, has the Minister signed off the money for this year? The money is there, and I wish he would not keep peddling these untruths that things are not costed.

The Conservative defence team, when in opposition, gave a high priority to armed service accommodation. The Secretary of State, in *The Daily Telegraph* last January, wrote:

"Welfare is another major issue that needs to be better addressed. We all too often hear about substandard housing".

I am sure that Conservative Members, and more importantly members of our armed forces and their families, will expect the coalition to match our funded commitments on accommodation, or are we just to see yet another cynical ploy whereby the Conservatives support the armed forces in opposition with various spending commitments but then cynically withdraw them, as we saw last week with the freezing of armed forces pay?

Mr Robathan: There are such things as parallel universes. We had 13 years of the last Administration and now, after seven weeks, we are accused of failing to address the issues of armed forces accommodation. This is complete nonsense. The hon. Gentleman accuses me of peddling untruths; I refer him to the question asked by my right hon. Friend the Chair of the Defence Committee, who wants to know about the Ministry of Defence accounts. When we see those accounts, we will be able to judge whether the money was there.

Afghanistan

9. **Mr Matthew Offord** (Hendon) (Con): What his most recent assessment is of the security situation in Afghanistan; and if he will make a statement. [5312]

The Minister for the Armed Forces (Nick Harvey): We recognise that the security situation in Afghanistan remains very serious. However, we remain committed to protecting the Afghan civilian population and to developing the Afghan national security forces, to enable them to take on the lead for security themselves.

Mr Offord: Given that the development of the Afghan national forces is critical to the eventual withdrawal of troops from Afghanistan, will my hon. Friend please advise the House on how the training and equipment of the Afghan national forces is progressing?

Nick Harvey: There are currently about 119,000 members of the Afghan national army and about 104,000 members of the Afghan national police in Afghanistan. Targets for significant increases in both the army and police, supported by the international community, were agreed at the London conference. I remind my hon. Friend that that target is 171,000 members of the army and 134,000 members of the police by the end of next year. That would take the total security force numbers to more than 300,000.

Paul Flynn (Newport West) (Lab): A detailed American investigation into the Afghan army reports that a third of this group of drug-addicted mercenaries desert every year and that its members have little or no loyalty to their election-rigging President, their own Government or international Governments. Why on earth do we expect to build a stable Afghanistan on that crumbling foundation?

Nick Harvey: I do not recognise the hon. Gentleman's description. I visited Afghanistan just two weeks ago and British and American armed forces spoke very well of their Afghan colleagues. Nobody pretends that the situation is perfect, but we are involved in an embedded partnering relationship with the Afghan national army to try to ensure that the highest degree of skill and professionalism continues to grow and develop. We are impressed with what it has done so far; it is increasingly able both to plan and execute missions in its own right, and I have no doubt whatever that we are continuing to progress in the right direction.

Mr James Gray (North Wiltshire) (Con): I, too, have been out to see the Afghan national army being trained in Afghanistan. My impression is that it has been doing extremely well under the brilliant professionalism of the British instructors. But does the Minister accept that the police are much more worrying and have hugely further to go? The issue is about not just how many there are but the quality of their training. Can we not get more help from the Metropolitan police or other British police forces to help with their training?

Nick Harvey: In recent years, it has certainly been true that there have been concerns about the police not being as good as the army. However, I think that that situation is being rapidly addressed and that there is a tangible improvement in the training being given to the Afghan national police. The Helmand police training centre is based strongly on western models. There is a lot of western assistance in there, and most recent reports say that the quality of police recruits has improved tangibly on what it was like a couple years ago.

Mr Bob Ainsworth (Coventry North East) (Lab): Can the Minister for the Armed Forces help to clear up some of the recent confusion on Afghan policy? The Prime Minister seems to be saying, both in the House and elsewhere, that there is a deadline—that all our troops will be out of Afghanistan by the end of the Parliament, by 2014. The Defence Secretary and Foreign Secretary appear to be saying something slightly different. And we now have Lord Guthrie; I am so pleased to be able to quote Lord Guthrie. He warns us that

"The Army doesn't want a government that dithers."

I agree. Is there a deadline?

Nick Harvey: The key to our exit from Afghanistan is that we want to see the Afghans take control of their own security. They are not able to do that yet, but will be better able to do it as time goes on. As they progressively do that, our own troop numbers will come right down and our role will completely change. The process of handing provinces and districts to Afghan control will take place on the basis of an assessment of the facts on the ground. However, the Prime Minister has made it very clear that there will not be British troops in a combat role or in significant numbers in five years' time. Of course, troops will still be there in a training role, as part of a wider diplomatic relationship like that which we have with other countries.

Works of Art

10. **Harriett Baldwin** (West Worcestershire) (Con): How much his Department has spent on works of art since 2005. [5313]

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): Since 2005, the Ministry of Defence has spent on average around £58,000 a year protecting, preserving and maintaining its art collection. No works of art have been bought by the Department in the last five years.

Harriett Baldwin: Was the Minister as surprised as I was to learn that the Ministry of Defence has some 1,500 works of art, complete with curating staff? Does he agree that the MOD should focus on running our armed forces rather than an art gallery?

Mr Robathan: I entirely agree with my hon. Friend that we should concentrate on running the armed forces, but I am sure she would agree that £58,000 is not a huge amount to spend on curating. However, I was pretty surprised to discover that in 2004, £250,000 was spent on Hoque and Cattrell paintings for the foyer of the main MOD building. It seems to me that that money could have been better spent on, for instance, armed forces accommodation, which has was raised earlier.

Mr Gerry Sutcliffe (Bradford South) (Lab): Will the Minister therefore confirm whether the Department or the Government have any plans to sell off any of the Government art collection?

Mr Robathan: No decisions have yet been made. Who knows?

Defence Training Review

11. **Mark Pritchard** (The Wrekin) (Con): If he will consider, as part of the strategic defence and security review, the merits of the Army returning to RAF St Athan rather than RAF Cosford. [5314]

The Minister for the Armed Forces (Nick Harvey): Plans for the defence training review package 1 project remain unchanged, and consequently it is still planned for 102 Logistics Brigade to relocate to RAF Cosford in 2018 under the BORONA programme. Like everything else in the defence world, that is subject to the strategic defence and security review. At this point, no decisions have been taken.

Mark Pritchard: Let me be clear: Shropshire has a long and proud history of working with the British Army, the Royal Air Force and the Royal Navy, but does it not make sense, given the presence of the excellent special forces support group and 1st Battalion the Parachute Regiment, and indeed the logistic hangars and a very long runway indeed at RAF St Athan in Wales, for 102 Logistics Brigade to return to St Athan rather than to RAF Cosford in Shropshire?

Nick Harvey: My hon. Friend is aware that there were two different proposals in the final analysis for the defence training review facilities: Cosford and St Athan. Those were subject to the most detailed scrutiny to decide which was the better fit for our defence requirements and the decision was that the defence training review should relocate facilities to St Athan. We believe that there is an obvious synergy between that and other work at St Athan, particular in high technology, and a lot of work has already gone into preparing for that move. To change course now, as he suggests, would undo a great deal of investment that has already been made and add considerably to the final cost.

Chris Bryant (Rhondda) (Lab): I wholeheartedly endorse what the Minister says. He is a brave man: he has seen off the first of the Tories of the afternoon, and I am delighted that he is sticking with St Athan. Is he prepared to meet a cross-party group of MPs from Wales so that we can feed into the ongoing discussions on the strategic defence review, and so that we can ensure that he understands fully the enormous value of bringing those elements of training together in south Wales, better to support our armed forces, which, in the end, is the single most important thing we can do?

Nick Harvey: I take the hon. Gentleman's endorsement in the spirit it was intended. He will understand that our concern is to ensure both value for money and that the training facilities that we secure are best fitted to our defence needs. Decisions on progress will be necessary in the course of the next few months, and as part of that consideration and that work, I will be happy to talk to him and to others.

Tri-service Military Covenant

12. **Stephen Mosley** (City of Chester) (Con): What plans he has for a tri-service military covenant. [5315]

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): We are committed to rebuilding the military covenant through the creation of a tri-service military covenant and have identified a number of areas that will allow us to do so. These measures are listed in our programme for government that was published on 22 May. The Prime Minister recently announced the doubling of the operational allowance in Afghanistan, which was an important first step on this road.

Stephen Mosley: It is crucial that we care for our serving personnel, but we must also care for our veterans. What measures will my hon. Friend put in place to ensure that we care for our veterans properly in the future, especially with regard to mental health issues?

Mr Robathan: On the broader issue, I have had two meetings in the past week on the military covenant and its implications. My hon. Friend mentions mental health in particular. My hon. Friend the Member for South West Wiltshire (Dr Murrison), who is in his place, is considering health issues and will report this summer on all such issues, including the mental health needs of ex-service personnel.

Afghanistan

13. **Derek Twigg** (Halton) (Lab): Whether he has considered a timetable for the withdrawal of UK forces from Afghanistan. [5316]

The Secretary of State for Defence (Dr Liam Fox): United Kingdom forces are in Afghanistan as part of an international coalition. We will take decisions on troop numbers in consultation with our partners.

Derek Twigg: Was the Secretary of State given advance notice of the Prime Minister's statement in Canada recently that he wanted our armed forces home by 2015, and did No. 10 see a copy of the Secretary of State's speech before he made it in Washington last week?

Dr Fox: The G8 in Canada in June sent a collective signal that we want Afghan national security forces to assume increasing responsibility for security within five years. 2015 is a full year beyond General McChrystal's assessment of ANSF capability and it is entirely realistic that we will not have combat troops in Afghanistan at that time.

Geoffrey Clifton-Brown (The Cotswolds) (Con): Does my right hon. Friend agree that any timetable will depend not just on the numbers in the Afghan national army, but on its effectiveness? What discussions has he had about the emerging problems of recruitment and retention, infrastructure and logistics? Are not those matters critical to the effectiveness of the Afghan national army?

Dr Fox: My hon. Friend is correct on all those issues. In fact, the number of the Afghan national security forces has tended to be ahead of trend in recent times. The quality of the training is constantly kept under review and I had discussions in Washington on the subject last week.

Mr Geoffrey Robinson (Coventry North West) (Lab): Does the Secretary of State agree that the security issue in Afghanistan is really whether we have enough troops on the ground? Even by General Petraeus's assessment, we have barely one third of those required. Unless and until we can increase that number—and there is no prospect of doing so from any side—the choice will be to expose our troops and the American troops to more danger or, conversely, to expose the Afghan people. In the light of that, will he make a statement about the prospects for the future? Without security we have no future.

Dr Fox: We are seeing an increase in the number of American troops at the moment. As for the UK troops, it is not just the number but the relative force density that is important. That has improved in recent times and there is now a better match between our footprint and the size of the force. That happened under the previous Government and will continue to happen under the current Government until we are satisfied that we have an appropriate ratio.

Dedicated Military Wards

14. **Nick Smith** (Blaenau Gwent) (Lab): What steps he plans to take to ensure that injured service personnel are treated in dedicated military wards. [5317]

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): Injured service personnel will be cared for in the best specialist hospital ward for their clinical condition. Operational casualties with multiple trauma injuries will usually be treated in the military ward at the new Queen Elizabeth hospital in Edgbaston, but all patients, wherever they are treated, are given the invaluable military welfare, care and support that can contribute so much to their well-being and recovery.

Nick Smith: Will the Government be proceeding with the four purpose-built recovery centres first proposed by the Labour Government?

Mr Robathan: We are indeed proceeding with personal recovery units as part of the Army recovery capability. That was a legacy of the previous Administration, and one that I praise.

Caroline Dinenage (Gosport) (Con): The Minister will be aware that under the previous Government the Haslar royal naval hospital was the last military hospital to be shut down. We are now at risk of losing another massive employer in Gosport in HMS Sultan, the Royal Navy engineering training school—recently graded outstanding by Ofsted—which could move to St Athan. Has the Minister considered the effect that any such move would have on the local community?

Mr Robathan: I have to confess to my hon. Friend that I have not been looking at that particular issue; however, I am sure that the closure—[Hon. Members: "Oh!"] Well, I am awfully sorry, but it is not part of my remit. However, I am sure that, as with everything else, we will be looking at that issue in the strategic defence and security review, and I hope that there will be no unfortunate implications for employment in the Portsmouth area.

Mr Kevan Jones (North Durham) (Lab): May I pay tribute to the dedicated staff at Selly Oak and to the men and women of Defence Medical Services, whom I had the honour of working with? We owe them a great debt of gratitude, and they include some previously unsung heroes who were rightly honoured in the recent Queen's birthday honours list. I enjoyed reading about the coalition's new defence policy in *The Sun* last week, including the re-announcement of the new military ward at Selly Oak. I am glad that the hon. Gentleman has announced that the Army recovery capability, which was fully funded, will be continued. However, can we have an assurance today that Defence Medical Services will be protected in the defence budget, or will we just see cynical re-announcements of Labour achievements, albeit without the funding to go with them?

Mr Robathan: I do not feel that I have been cynically re-announcing any Labour achievements. What I would say is that it is not Selly Oak doing the work any more; it is the new Queen Elizabeth hospital down the road, which is replacing Selly Oak. It is a good hospital, and the scheme was planned and executed—although the facility was not opened—under the previous Administration. I entirely accept that. Indeed, I visited Selly Oak not a month ago, and I think that the care that people receive there is pretty good—it was not so good to begin with, but it is pretty good now. I shall not be cynically re-announcing anything; I shall just be planning on the basis of the coalition's policies.

Armed Forces Pensions

15. **Mr David Hamilton** (Midlothian) (Lab): What recent representations he has received on arrangements for armed forces pensions. [5318]

Mr Speaker: May we have a Minister—any Minister—to answer?

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): I am just so busy today that I missed that one, Mr Speaker. We have received a number of representations on armed forces pensions, including in relation to the 1975 armed forces pension scheme and eligibility for those who served prior to its introduction; the link to the retail price index; and widows' and widowers' pensions for life.

Mr Hamilton: I thank the Minister for that delayed answer. Let me make a plea on behalf of one particular group of people. One important thing about the armed forces is the number of people who extend their terms of reference—who want to extend their period in the armed forces. It is imperative that that is not stopped. When the Minister looks at the review that is currently under way, will he ensure that the extension is protected for that group of armed forces personnel, for whom the pension is an important part of the decision to extend their time?

Mr Robathan: I thank the hon. Gentleman for that question. I should declare an interest, in that I am an armed forces pensioner—under the 1975 scheme, I think. I am not entirely clear about the question, so perhaps he could write to me with the details, and I will certainly respond to him.

Chief of the Defence Staff

16. **Frank Dobson** (Holborn and St Pancras) (Lab): What role he will play in the appointment of a new Chief of the Defence Staff; and if he will make a statement. [5319]

The Secretary of State for Defence (Dr Liam Fox): The outgoing Chief of the Defence Staff provides an assessment of his potential successors, together with his recommendation. I then discuss the recommendation with him and my Defence Ministers, before making a recommendation to the Prime Minister. Thereafter, the approval of Her Majesty the Queen will be sought.

Frank Dobson: Once the appointment is announced, will the Government ensure that both the Secretary of State for Defence and the Prime Minister make it clear that they support the new appointment, and do not indulge in the spectacle of competitive briefing, claiming that they were the individual who got rid of the predecessor?

Dr Fox: No, I can confirm that we will break the precedent set by the former Government, and that we will indeed give full support to whomever is chosen as the candidate.

Defence Procurement

17. **Mr Douglas Carswell** (Clacton) (Con): How many defence procurement contracts have been frozen since his appointment. [5321]

The Parliamentary Under-Secretary of State for Defence (Peter Luff): Out of the 57 equipment-related projects that were subject to re-approval as part of the exercise announced by the Chief Secretary to the Treasury on 17 May, two projects—the search and rescue helicopter project, and the procurement of long-lead items for the successor deterrent—have been suspended pending the outcome of urgent ongoing reviews. However, all projects, including those that have been re-approved, are being considered as part of the strategic defence and security review.

Mr Carswell: Does my hon. Friend believe that it is in the best interests of our armed forces that senior officials involved in preparing MOD contracts are regularly recruited to work for the contractor and lobby Government on its behalf?

Peter Luff: Like my hon. Friend, I have severe doubts about that particular practice, and I can assure him that I am watching it very carefully.

Mr David Hanson (Delyn) (Lab): Can the Minister tell the House when he expects to agree the contract signed by my right hon. Friend the Member for Coventry North East (Mr Ainsworth) for the A400M, which is built in Bristol and serviced in north Wales? Twenty-two planes with 22 sets of wings are under contract by the Labour Government, but they have been frozen by the Conservative-Liberal Government.

Peter Luff: I wish I could answer the right hon. Gentleman's question at length, but all I can say is that the A400M, like all other major projects, is part of the strategic defence and security review—the long overdue strategic defence and security review.

Topical Questions

T1. [5384] **Dr Julian Lewis** (New Forest East) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Defence (Dr Liam Fox): My departmental responsibilities are to ensure that our country is properly defended now and in the future, that our service personnel have the right equipment and training to allow them to succeed in their military tasks, and that we honour the military covenant.

Dr Lewis: Only last August, a top military adviser stated publicly that it would take between 30 and 40 years for us to nation-build in Afghanistan under the present strategy and that there was no question of NATO pulling out. Within the last few days, the same top military adviser has stated that the time has begun for talks with the Taliban and that we could indeed have resolved our mission within the next four years. What does this conflicting advice say about the quality, the coherence and the consistency of the strategy which our Government have inherited in Afghanistan?

Dr Fox: I am grateful to my hon. Friend. He will probably remember a former Prime Minister saying that advisers advise and Ministers decide. For the benefit of newer Members, let me say that she was absolutely correct to do so. The Government decide the strategy in Afghanistan. We believe that we are there for reasons of national security, and we believe that we will have succeeded in our mission in Afghanistan when it is a stable enough state to manage its own internal and external security without reference to outside powers.

T6. [5390] **Mr David Hanson** (Delyn) (Lab): On reflection, does the Secretary of State think that the best way to advise of the retirement of the Chief of the Defence Staff is through the pages of *The Sunday Times* even before the Prime Minister has been consulted or before the Queen has been provided with that information?

Dr Fox: If that were entirely true, the right hon. Gentleman would be correct.

T2. [5385] **Mark Menzies** (Fylde) (Con): With defence exports being of critical importance to the economy in Fylde and jobs in the north-west, can the Secretary of State update me and the House on efforts made to drive the export potential of the Typhoon Eurofighter?

The Parliamentary Under-Secretary of State for Defence (Mr Gerald Howarth): I can tell my hon. Friend that the good news is that the Typhoon aircraft, a formidable piece of kit, is in demand across the world, and there are a number of countries that have expressed serious interest in the Typhoon. I can also tell him that my right hon. Friend the Secretary of State has already had a number of discussions with a number of interested parties, and that we shall arrange some cross-departmental ministerial visits to promote this very important aspect of our policy.

T9. [5393] **Mr Wayne David** (Caerphilly) (Lab): Does the Secretary of State agree that it is absolutely essential that the training of the three armed forces should be integrated into one site?

The Minister for the Armed Forces (Nick Harvey): As I said in the earlier part of questions, it remains our intention to proceed as planned, but this, of course, like everything else, is part of the strategic defence review.

Sir Menzies Campbell (North East Fife) (LD): My hon. Friend will have observed that the Secretary of State declined an opportunity to state that he would publish the results of the Trident value for money review. May I urge him to publish the foreign policy baseline, which is the starting point of the defence review, so that the House can have the opportunity to debate the Government's foreign policy objectives before we are presented with a fait accompli in the defence review itself?

Dr Fox: During the debate on the strategic defence and security review, I set out the foreign policy baseline, as I have on previous occasions, and as the Foreign Secretary also has. It will be considered as part of the debate inside the National Security Council as part of cross-departmental security reviews.

Mr Tom Watson (West Bromwich East) (Lab): The Veterans Minister just said that he was redoubling efforts to honour the military covenant and he praised the Prime Minister for doubling the operational allowance, yet he also admitted that he was cutting accommodation, freezing Army pay and making service personnel pay more for their pensions. Will he therefore explain what he means in practical terms by "redoubling" the effort?

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): I have always maintained that the hon. Gentleman is much nicer than his reputation. However, I have not said that we are cutting accommodation. As he knows, the whole country is faced with the appalling economic and financial situation that was left by the previous Government. We are considering all ways of saving money, including a pay freeze across the public sector. However, the spine increases for armed forces personnel will continue.

T3. [5387] **Dr Andrew Murrison** (South West Wiltshire) (Con): The Prime Minister's announcement last month of £67 million to deal with the threat faced by our troops from improvised explosive devices was most welcome. Will my hon. Friend say what part of that will be for training, which is an integral part of the deal? In particular, will he note the excellent service provided by the International School for Security and Explosives Education in Chilmark in my constituency, which I visited on Friday?

Nick Harvey: I thank my hon. Friend for his question. There is no doubt whatever that high-threat counter-IED operations in Afghanistan are the most dangerous activity undertaken by members of the armed forces. The Prime Minister's announcement of a further £67 million included £40 million for protected vehicles for use by CIED teams in Afghanistan and £11 million for remote control vehicles. The remaining funds will be used to enhance other critical capabilities in the counter-IED campaign, including enhancements to our military working-dog capability. There are problems with training, which we are doing our best to address. One problem is the inherited shortfall in counter-IED experts, which needs to be addressed as quickly as possible.

Mr Jeffrey M. Donaldson (Lagan Valley) (DUP): Ministers will be aware that the Royal Irish Regiment is to deploy to Afghanistan later this year and that our armed forces personnel from Northern Ireland, Scotland and Wales make a major contribution to operational deployment on a continuous basis. Is it not therefore incumbent on the Secretary of State in his review to look again at the distribution of defence expenditure on a more equitable basis across the United Kingdom?

Dr Fox: The allocation of defence spending across the United Kingdom will be determined in the light of what we think are the best decisions for the defence of the United Kingdom. The right hon. Gentleman is correct, however, about the contributions made by our armed forces from different parts of the United Kingdom. They are United Kingdom armed forces. When I meet troops in Afghanistan, they do not ask one another whether they came from Belfast, Cardiff, Edinburgh or London. They are forces under the Crown and proud of it.

T4. [5388] **Sajid Javid** (Bromsgrove) (Con): On the eve of the Turkish Foreign Minister's visit to London, I am sure that my right hon. Friend will agree that Turkey is one of our foremost allies in a most volatile region. What steps can his military take to increase our strategic co-operation with Turkey?

Dr Fox: My hon. Friend is entirely correct: Turkey is a very important strategic partner for the United Kingdom, not only because of its geographic location and the countries that border it, but because of other issues such as energy security. I had a long discussion with the Turkish Defence Minister at the NATO ministerial meeting in Brussels a couple of weeks ago, and I intend to see him again in London next week. We intend to continue to discuss issues such as joint exercising, joint training and potentially joint procurement. It is enormously to this country's advantage to have Turkey onside and looking westwards rather than in any other direction.

Gordon Banks (Ochil and South Perthshire) (Lab): Will Ministers tell me how effective they consider Vector Aerospace, in Almondbank in my constituency, to be in keeping the UK's armed forces' front lines effective?

The Parliamentary Under-Secretary of State for Defence (Peter Luff): I am delighted to pay tribute to the many defence companies that make such a valuable contribution to the work of our armed services, and I would be delighted to hear more from the hon. Gentleman about the company in his constituency. I know that its work is very valued.

T5. [5389] **Richard Harrington** (Watford) (Con): In view of the constraints on military spending, both financially and in terms of personnel, what help has the Ministry of Defence been asked to give the Home Office in providing security for the Olympic games?

Dr Fox: My hon. Friend has raised an important issue. In the National Security Council, we are committed to a cross-departmental defence of the United Kingdom and defence review. As part of our ongoing discussions, we will continue to discuss arrangements for the Olympics. The Security Minister and I have had a number of discussions on that subject.

John Cryer (Leyton and Wanstead) (Lab): There is a growing public perception that the Trident replacement is being insulated from any kind of scrutiny—including the defence review—while the Government continue to tear conventional forces to bits. I am thinking particularly of the cuts in aircraft, which have already been mentioned. How long will the Secretary of State be happy with that situation?

Dr Fox: There will be no plans for any part of the defence of the United Kingdom until the defence review is completed in the autumn. We will, of course, face a very adverse financial position because of the utter financial incompetence of the outgoing Labour Government, who have left the country with record debts, and, sadly, we will have to make decisions about defence and other Government budgets in that light.

Dr Julian Huppert (Cambridge) (LD): What steps will the Secretary of State take to reduce homelessness among former members of the armed services? Will he promise to take steps to provide support in regard to mental health and tenancies, and to support those who turn to drugs and alcohol after their time in the armed services?

Mr Robathan: We are certainly concerned about any ex-service personnel who are homeless, but I do not think that we should overstate the case. According to the most recent review, conducted by the previous Government, only 3% of homeless people served in the armed forces, and three quarters of those were over the age of 45. That is not to say that we are not concerned about people over 45, or people under 45.

We will examine the issue as part of the military covenant. My hon. Friend the Member for South West Wiltshire (Dr Murrison) is examining mental health issues, which do indeed take a long time to come to the fore—typically, about 14 years.

Chris Leslie (Nottingham East) (Lab/Co-op): Does the Secretary of State agree that it would be an extremely retrograde step for the cuts in Government spending to sacrifice the new coastguard search and rescue helicopters that are such an important part of front-line rescue services in our country? They would be 30% faster than the Sea Kings, they are fitted with forward-looking infra-red, and they are good at low-flying night-time search and rescue. Surely there cannot be any more front-line expenditure than that.

Dr Fox: The hon. Gentleman is right about the importance of the services to which he refers. They are currently under review, as part of the defence review and our ongoing discussions with the Treasury. However, it does not come well from any member of the former Government to lecture anyone about public finances when we are having to make decisions on public spending against a more adverse financial backdrop than any Government have faced at least since the second world war.

David Tredinnick (Bosworth) (Con): Is my right hon. Friend aware of the anger in my constituency because the reverse bidding for the contract for the supply of socks did not work effectively? Does he understand that HJ Hall, which has supplied socks for three generations, lost the contract because it could not make its bids within the existing system, and will he please look into the issue?

Peter Luff: I congratulate my hon. Friend on his vigorous defence of his constituents. I agree that the matter is important, and I should like to discuss it with him further.

Barry Gardiner (Brent North) (Lab): When personnel tragically lose their lives on active service, is there a time limit by which their families must vacate service accommodation? If so, what is the time limit, and what assistance are those families given to find alternative accommodation?

Mr Robathan: I should make it clear that I was not warned of the hon. Gentleman's question, but I understand that there is no such time limit. However, it is obviously in the interests of families—apart from any other considerations—to move out of service accommodation at some stage. We are examining all these issues because we are convinced of the need to support, especially, the families of brave young men cut down in their prime, and also those who have been injured. I assure the hon. Gentleman that we will provide that support.

Robert Halfon (Harlow) (Con): Is the Minister aware that the previous Government shut down the Harlow Territorial Army centre? What plans has he to restore Territorial Army morale in Harlow and elsewhere in the country?

Dr Fox: The role of the Territorial Army has been greatly undervalued too often in the past. I pay tribute, on behalf of the Government, to the role that it plays in the security of our country. The specific future role of the Territorial Army, along with the roles of all sections of our armed forces, will be considered as part of the ongoing defence review.

Robert Flello (Stoke-on-Trent South) (Lab): I am most concerned by what I read in the newspapers about the Taliban's reaction to the timetable for withdrawal from Afghanistan. What implications does that have in respect of the issue of the Taliban in Pakistan, and has the Secretary of State had conversations with the Pakistan Government, given the crossover and the sensitivity between the two?

Dr Fox: My right hon. Friend the Foreign Secretary has recently been in Pakistan and has had discussions with the security services there about the importance of the Pakistani Government dealing not only with the Pakistani Taliban but the Afghan Taliban. Unless we see these as a continuum in terms of security, we will not be able to make the progress we want and to achieve the security on the Afghan-Pakistan border that is vital for the security of the people of both countries.

David Morris (Morecambe and Lunesdale) (Con): Following on from the question of my hon. Friend the Member for Fylde (Mark Menzies), what decisions, if any, have been made about putting money into home-grown defence projects, especially in the Lancashire region?

Dr Fox: The Government intend to look at the value of home-grown defence projects in further consultations about the role of small and medium-sized businesses in the defence industry and the issue of sovereign capability for the United Kingdom. I look forward to my hon. Friend making some very full contributions to that debate when it takes place.

Political and Constitutional Reform

3.31 pm

The Deputy Prime Minister (Mr Nick Clegg): With permission, Mr Speaker, I would like to make a statement on the Government's proposals for parliamentary reform.

Every Member of this House was elected knowing that this Parliament must be unlike any other—that we have a unique duty to restore the trust in our political system that has been tested to its limits in recent times—and if anything was clear at the general election it was that more and more people realised that our political system was broken and needs to be fixed. They want us to clean up politics. They want to be able to hold us properly to account.

So the Government have set out an ambitious programme for political renewal, transferring power away from the Executive to empower Parliament, and away from Parliament to empower people. That programme includes: introducing a power of recall for MPs guilty of serious wrongdoing; tackling the influence of big money as we look again at party funding; taking forward long overdue reform of the other place; implementing the Wright Committee recommendations, and taking steps to give people more power to shape parliamentary business; speeding up the implementation of individual voter registration; and increasing transparency in lobbying, including through a statutory register.

Today, I am announcing the details of a number of major elements of the Government's proposals for political reform. First, we are introducing legislation to fix parliamentary terms. The date of the next general election will be 7 May 2015. This is a hugely significant constitutional innovation. It is simply not right that general elections can be called according to a Prime Minister's whims, so this Prime Minister will be the first Prime Minister to give up that right.

I know that when the coalition agreement was published there was some concern about these proposals. We have listened carefully to those concerns, and I can announce today how we will proceed, in a Bill that will be introduced before the summer recess. First, traditional powers of no confidence will be put into law, and a vote of no confidence will still require only a simple majority. Secondly, if after a vote of no confidence a Government cannot be formed within 14 days, Parliament will be dissolved and a general election will be held. Let me be clear: these steps will strengthen Parliament's power over the Executive. Thirdly, there will be an additional power for Parliament to vote for an early and immediate Dissolution. We have decided that a majority of two thirds will be needed to carry the vote, as opposed to the 55% first suggested, as is the case in the Scottish Parliament. These changes will make it impossible for any Government to force a Dissolution for their own purposes. These proposals should make it absolutely clear to the House that votes of no confidence and votes for early Dissolution are entirely separate, and that we are putting in place safeguards against a lame-duck Government being left in limbo if the House passes a vote of no confidence but does not vote for early Dissolution.

I am also announcing today the details of the Government's proposals to introduce a Bill before the summer to provide for a referendum on the alternative vote system, and for a review of constituency boundaries in order to create fewer and more equally sized constituencies, cutting the cost of politics and reducing the number of MPs from the 650 we have today to a House of 600 MPs.

Together, these proposals help to correct the deep unfairness in the way we hold elections in this country. Under the current set-up, votes count more in some parts of the country than others, and millions feel that their votes do not count at all. Elections are won and lost in a small minority of seats. We have a fractured democracy, where some people's votes count and other people's votes do not count; where some people are listened to and others are ignored. By equalising the size of constituencies, we ensure that people's votes carry the same weight, no matter where they live. Only months ago the electorate of Islington North stood at 66,472, while 10 miles away, in East Ham, the figure was 87,809. In effect, that means that a person voting in East Ham has a vote that is worth much less than a vote in Islington North. That cannot be right. These imbalances are found right across the United Kingdom.

Reducing the number of MPs also allows us to bring our oversized House of Commons into line with legislatures across the world. The House of Commons is the largest directly elected Chamber in the European Union, and it is half as big again as the US House of Representatives. It was never intended that the overall size of the House should constantly keep rising, yet that is precisely the effect of the current legislation—the Parliamentary Constituencies Act 1986. Capping the number of MPs corrects that, and it saves money too. Having 59 fewer MPs saves £12 million a year on pay, pensions and allowances alone.

On the referendum, by giving people a choice over their electoral system, we give that system a new legitimacy. Surely, when dissatisfaction with politics is so great, one of our first acts must be to give people their own say over something as fundamental as how they elect their MPs. The question will be simple, asking people whether they want to adopt the alternative vote, yes or no; and the precise wording will be tested by the Electoral Commission. *[Interruption.]*

As for the date of the referendum, in making that decision we have been driven by three key considerations: first—*[Interruption.]*

Mr Speaker: Order. I am sorry to interrupt the Deputy Prime Minister. The statement by the Deputy Prime Minister must be heard with courtesy. If Members want to question him, they will have the chance to do so. The Deputy Prime Minister will be heard.

The Deputy Prime Minister: The first is that all parties fought the general election on an absolute pledge to move fast to fix our political system, so we must get on and do that without delay; secondly, it is important to avoid asking people to keep returning to the ballot box; and finally, in these straitened times we must keep costs as low as possible. That is why the Prime Minister and I have decided that the date for the referendum on the Bill will be 5 May 2011, the same day as the elections to the devolved legislatures in Scotland, Wales and Northern Ireland, and local elections in England. That will save an estimated £17 million. I know that some hon. Members have concerns over that date, but I believe that people

will easily be able to distinguish between the different issues on which they will be asked to vote on the same day.

Our Bill will make explicit provision for the Boundary Commissions to report on more equally sized constituencies and for the process to be completed by the end of 2013, allowing enough time for candidates to be selected ahead of the 2015 election; and we will ensure that the boundary commissions have what they need to do that. That means that, in the event of a vote in favour of the alternative vote, the 2015 general election will be held on the new system, and according to new boundaries. These are complementary changes—the outcome of the referendum is put in place as the new boundaries are put in place, too.

The Bill will require the Boundary Commissions to set new constituencies within 5% of a target quota of registered electors, with just two exceptions: Orkney and Shetland, and—*[Laughter.]*

Mr Speaker: Order. I want to hear the second one.

The Deputy Prime Minister: The exceptions are Orkney and Shetland, and the Western Isles, which are uniquely placed, given their locations.

Mr Andrew Turner (Isle of Wight) (Con): What about the Isle of Wight?

Mr Speaker: Order. I am sorry to have to interrupt the Deputy Prime Minister, but the hon. Member for Isle of Wight (Mr Turner) must not, however strongly he feels, shriek from a sedentary position in that way. It is very unseemly and, if I may say so, very untypical of the hon. Gentleman, who is normally grace itself.

The Deputy Prime Minister: The two exceptions are Orkney and Shetland, and the Western Isles, which are uniquely placed, given their locations. We have listened also to those who have very large constituencies, so the Bill will provide that no constituency will be larger than the size of the largest one now, and we intend that in future boundary reviews will be more frequent, to ensure that constituencies continue to meet the requirements that we will set out in our Bill.

I understand that this announcement will raise questions from those in all parts of this House, as these are profound changes. Let me just say that, yes, there are technical issues that will need to be scrutinised and approached with care as these Bills pass through Parliament, but ensuring that elections are as fair and democratic as possible is a matter of principle above all else. These are big, fundamental reforms that we are proposing, but we are all duty-bound to respond to public demand for political reform. That is how we restore people's faith in their politics once again. I commend this statement to the House.

Mr Jack Straw (Blackburn) (Lab): I begin by thanking the right hon. Gentleman for early sight of his statement. First, will he acknowledge that his proposal today to abandon the 55% requirement for Dissolution following a vote of no confidence represents the first major U-turn of this Government, and it has come in less than two months? Why did he not think before about the impossibility of a Government hanging on after they had lost a vote of no confidence by a simple majority? That would have saved him a great deal of embarrassment. As to his now subsidiary proposal for a two-thirds majority for any other Dissolution, what is its purpose? It is not completely superfluous? Either he is in favour of fixed-term Parliaments as long as the Government of the day enjoy the confidence of this House or he is not.

On the issue of a referendum on the alternative vote system, the House will be well aware that just such a proposal was in a Labour Government Bill and was agreed by this House but not the other place before the election. Does the right hon. Gentleman recall that during the general election campaign he told *The Independent* that the alternative vote system was a "miserable little compromise", saying

"I am not going to settle"

for that? Could the Deputy Prime Minister tell the House what has changed his mind?

Let me turn to the question of the date for this referendum. Will the right hon. Gentleman confirm that he decided on this May date, which coincides with the Scottish parliamentary and Welsh Assembly elections, and local elections in some, but by no means all, parts of England without any prior consultation with the Scottish Executive, the Welsh Assembly Government, the Northern Ireland Executive or—as far as one knows—local government? Will he confirm that none of the four previous referendums held in the United Kingdom—the EU referendum in 1975, and the more recent Scottish, Welsh and Northern Ireland referendums—has been held on the same day as elections? What is the argument for not following that precedent? Would it not have been altogether more sensible to consult widely on the best possible date and then to add the date to the Bill in due course? What is the argument against that?

The House will be well aware that we not only sought before the election to legislate for British voters to have a choice about whether to have the alternative vote system or to continue with first past the post, but we pledged to do so in our manifesto at the election. So my party is in support of voters having that choice at a referendum. However, is the right hon. Gentleman aware that we will not allow that support to be used as some kind of cover for outrageously partisan proposals in the same Bill to gerrymander the boundaries of this House of Commons by arbitrarily changing the rules for setting boundaries and by an equally arbitrary cut in the number of MPs?

There never has been an issue about the need for constituencies to be broadly equal in size. That principle has been embodied in legislation for decades and has all-party support. As it happens, six of the 10 largest constituencies in the United Kingdom are Labour and only three of the 10 smallest are Labour. The right hon. Gentleman has agreed in debates in this House since the election that there is a huge problem, highlighted by the Electoral Commission this March, of 3.5 million citizens who are eligible to vote but are not on the electoral register. If his aim, as he says, is principle and to make the system fairer, why has he said nothing in his statement about how he will ensure that those 3.5 million are included in the Boundary Commission's calculations about the size of constituencies and how he will get them on to the registers in time for the review?

If the right hon. Gentleman now accepts that there is a case for Orkney and Shetland, with an electorate of 37,000, and the Western Isles, with an electorate of

[Mr Jack Straw]

22,000, to be given special consideration, what on earth are the arguments for natural and historic boundaries elsewhere not to be taken into account by the Boundary Commission and by the legislation? As he claims that he wants to "empower" the people—his word in his statement—is it his intention that local communities should continue to have a right to an independent local boundary commission in their area if those local people wish it? If that is his intention, when he says, "we will ensure the Boundary Commissions have what they need" to complete this huge task by the end of 2013, only two years after this legislation has any chance of getting through, what additional resources and staff will the Boundary Commission be given?

Let me now turn to the right hon. Gentleman's proposal to cut the number the number of MPs from 650 to 600—the most arbitrary and partisan of all his proposals. Does he recognise that his international comparisons are tendentious in the extreme since virtually every western country has many more proportionately elected representatives below the level of their national Parliaments than we do, whether the other nation is a federal state such as Germany or a unitary state such as France?

As for all the nonsense that the right hon. Gentleman came up with about how under Conservative legislation passed in 1986 the number of MPs has allegedly been rising inexorably, does he recognise that over the past 50 years the total number of Members of this House has increased by just 3% whereas electorates have increased by 25% and that the work load of Members of Parliament and the demand from constituents on them has expanded exponentially? How will having fewer Members of Parliament enable the British people to be given a better service by their Member of Parliament?

Is the Deputy Prime Minister aware that his right hon. Friend the Prime Minister, when he gave evidence to his local Oxfordshire boundary inquiry in 2003, castigated the notion that there might be too many MPs? He said then:

"Somebody might take the view that at 659 there are already too many Members of Parliament at Westminster."

He continued

"I certainly hope that is not the case."

Was not the Prime Minister right then, and are not he and his deputy completely wrong now?

The Deputy Prime Minister: Before I deal with the questions that the right hon. Gentleman raised, I want to acknowledge, recognise and pay tribute to the fact that he and his colleagues in the previous Government—certainly in the early years—were a party, at one point, of political reform. They introduced significant reforms: getting rid of the hereditaries in the other place; changing the electoral system for election to the European Parliament; and devolving power to Wales and Scotland. Opposition Members have a choice, and I hope that they will take this opportunity to rediscover that spirit of political reform.

I shall respond to the right hon. Gentleman's specific questions. He suggested that for the Government to listen represents a major U-turn. We listened to the objections raised on both sides of the House to our proposed 55% threshold, and we have acted on them. The inclusion of the two-thirds threshold gives an additional, new power to Parliament. Let us be clear what we are doing with the fixed-term provisions—provisions that his party used to support. We are taking power away from the Prime Minister and giving Parliament more power over the Executive. Surely that is something that he and other Opposition Members would support.

The right hon. Gentleman mentioned the fact that the referendum will coincide with elections being held on the same day. Is he seriously suggesting that people are incapable of taking more than one decision in a day, or of filling in an extra box to answer yes or no to a straightforward question? That is misleading and patronising at best. He claims that the ambition to have more equal constituencies is "outrageously partisan" and involves gerrymandering. It was the Chartists, back in the 1840s, who first proposed equal-sized constituencies. The Labour party used to believe that votes should have the same weight, wherever they were and whatever part of the country people found themselves in. How on earth can he and other Labour Members brand something as simple as giving fairness to every voter in the country as "outrageously partisan"? This proposal is based on a simple principle of fairness and he should support it.

The right hon. Gentleman cited the figure of 3.5 million unregistered voters, and I agree that something should be done about that—*[Interruption.]* Something has needed to be done about it for the past 13 years, and we will bring forward proposals to accelerate individual electoral registration, precisely to help to do that.

The right hon. Gentleman asked whether local people would be heard during the boundary review process. Yes, of course they will. He also returned to the issue of the size of the House of Commons. Let us remember that existing legislation—the Parliamentary Constituencies Act 1986—already suggests that our Chamber is far too large. If we do not change that by capping the number of MPs, that number will just ratchet up and up.

It seems to me that the right hon. Gentleman and the Labour party have a choice. Are they in favour of reform, or of the status quo? Over the past few weeks, the signs have not been very promising. Last week, he turned his back on any progressive reform of our criminal justice system. Every day since the election, he and his colleagues have opposed every measure that we have put forward to sort out the black hole in the public finances that they created. Is the Labour party a party of progress or of stagnation? Is it a party that stands for something, or does it just stand against everything? Is the Labour party in favour of change, or just in favour of itself?

Several hon. Members *rose—*

Mr Speaker: Order. A great many right hon. and hon. Members are seeking to catch my eye, and accommodating most, let alone all, of them will require economy in questions and answers.

Mrs Eleanor Laing (Epping Forest) (Con): Does the right hon. Gentleman agree that if a referendum on a major constitutional issue such as voting reform is to be seen as fair, it should not be the case that a mere 50% of those voting on the day should make the decision? Ought there not to be a threshold of, say, 40% of those entitled to vote, as was the case in 1978 in Scotland?

The Deputy Prime Minister: The coalition agreement is very clear that the referendum will be decided on the basis of a simple majority. If we had thresholds for legitimacy, many Members of this House would not be here right now. It is a simple principle that a simple majority should be sufficient to pass the referendum one way or the other, and that is what we will do.

Mr Graham Allen (Nottingham North) (Lab): Does the Deputy Prime Minister accept that if we are to reform our democracy, one of the most important things is that we take not only our people, but our Parliament with us? Will he therefore ensure that there is effective pre-legislative scrutiny of the two Bills that he has proposed and the Bills that are to come? Without that, he is in danger of denying the legitimacy that his proposals will depend upon.

The Deputy Prime Minister: Of course I agree that it is essential that the Bills are properly scrutinised. As the hon. Gentleman knows, given that they are constitutional Bills, every stage of the passage of the Bills will be taken on the Floor of the House, so that every hon. Member can scrutinise these important Bills and have their say in the final shape of the legislation.

Mr Charles Kennedy (Ross, Skye and Lochaber) (LD): Obviously, I welcome the historic progress towards the alternative vote referendum and the fixed-term Parliaments. May I be a little more parochial and ask a question on the issue of constituency size, as for the past 27 years, under three sets of radically different constituency boundaries, I have had the privilege of representing the largest geographic constituency in this place—just below the 13,000 sq km cap that my right hon. Friend proposes to introduce? Can he confirm that the boundary commissioners will retain the flexibility in the Scottish context that they had last time round for the Westminster boundaries, when they could have opted for two Highland council area seats—that is a land mass the size of Belgium, let us remember—but in fact they opted for three?

The Deputy Prime Minister: I recognise, of course, the outstanding job that my right hon. Friend does across a constituency that is by far the largest in the country. That is why, taking the cue from his constituency, we will specify in the Bill that no new constituency can be any larger than his present constituency—just shy of 13,000 sq km. As for the basis upon which the Boundary Commissions will make their decisions, the exceptions on the face of the Bill will be very limited—for obvious reasons, the two island constituencies that I set out, and the geographical cap in size that I specified. Beyond that, the duty will be on the Boundary Commissions to deliver what we have always intended should be delivered—constituencies that are more equal in size in terms of the number of voters in each constituency.

Chris Bryant (Rhondda) (Lab): If one were to cut the number of MPs but keep the same number of Government Ministers, as is laid down in statute, one would have increased the stranglehold of the Government over the House. If the Deputy Prime Minister is to proceed with the cut, will he undertake to cut the number of Ministers, and if so, could he cut it by 22?

The Deputy Prime Minister: The key question is whether the package of reform increases the power of Parliament to hold the Executive to account. That is the fundamental issue of principle which members of the Labour party, when they were in favour of political reform, used to understand. This package of reform unambiguously puts this Parliament back in the driving seat.

Mr David Davis (Haltemprice and Howden) (Con): I commend the Deputy Prime Minister for changing his mind on the 55% proposal, but may I ask him to think again about the timing of the referendum? The reason that the Electoral Commission recommends against holding referendums on the same day as elections is not that people cannot decide on more than one thing at a time, but that it leads to differential turnouts, which means that the subsequent referendum is unrepresentative. Would that not be unfortunate on such an important issue?

The Deputy Prime Minister: The Electoral Commission, which the right hon. Gentleman cited, said just last week:

> "There are benefits of holding elections and referendums on the same day—for example to encourage turnout, but there are risks associated with combination too."

What we must do is act in order to minimise those risks and increase the benefit. The right hon. Gentleman raises an important point. There were real problems in the elections in 2007 which, as analysed in the Gould report, raised concerns about combining elections at the same time, but let us remember that as the Gould report demonstrated clearly, the complexity at that time arose from the coincidence of elections to Holyrood and very complex and lengthy ballot papers for the local elections in Scotland. In the proposed referendum, there will be a very simple question to which there is a simple yes or no answer. I think people will understand that that is best held at the same time as they go to vote on other matters, rather than asking them to return to the ballot box on another occasion, at great additional expense to the taxpayer.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): Making this announcement and fixing, to use the right hon. Gentleman's word, the date of the next general election for the same day as the Scottish and Welsh elections totally ignores the strong recommendations of both the Gould and Arbuthnott reports. It sounds to me not like the respect agenda, but actually like the contempt agenda.

The Deputy Prime Minister: I do not recognise that it is contemptuous towards the people of Britain, wherever they live, to give them that opportunity for the first time—an opportunity, by the way, that was first promised by the Labour party in its 1997 manifesto, but never delivered, like so many other points of the political reform agenda that remained undelivered over the past decade. I do not think it contemptuous to ask people—wherever they live in Wales, Scotland, England or whatever part of the United Kingdom—to have their say on the electoral system that elects Members to this House, and to ask them to do so on a very simple yes or no basis at a time when they are voting in any event. It underestimates the people of Wales, Scotland—the United Kingdom—to suggest somehow that they are incapable of deciding more than one thing on the same day.

Mr Bernard Jenkin (Harwich and North Essex) (Con): That is not the suggestion being made. We all know that voting reform—changing the voting system—is a big deal in here but of very scant interest to the vast majority of our voters. What is the justification for artificially inflating turnout by coinciding the referendum with other elections, when the right hon. Gentleman has yet to receive any formal advice on that topic from the Electoral Commission?

The Deputy Prime Minister: With respect—*[Interruption.]* It is absurd to suggest that it is artificially inflating turnout by just giving people the opportunity to have their say. There is absolutely nothing wrong with giving people the opportunity to have their say and doing so on a very simple basis, with a simple question and a simple yes or no answer, at a time when people are voting in any event—unless the hon. Gentleman is suggesting that we waste millions of pounds of taxpayers' money on organising it for another occasion. I see no logic in that whatever.

Austin Mitchell (Great Grimsby) (Lab): It is a great shame that the Deputy Prime Minister did not have the guts to fight for the best change in the electoral system, and the one in which he once believed and I still do—that is, proportional representation. Would it not be fair to give the electorate a say on that as well as on the alternative vote in the coming referendum? If he couples the alternative vote, which benefits only the Liberals, with a reduction in the number and redistribution of seats, which is designed to hurt the Labour party, is that really democratisation or the biggest gerrymander in British history?

The Deputy Prime Minister: Once again, another Labour Member calls a simple act of democracy—giving people in a referendum the right to have a say about how we are elected to this House—gerrymandering. Only in the weird and wonderful world of a party immersed in the most mind-numbing, introverted leadership contest would that be called gerrymandering. It is simply aimed at one objective: to make sure that our elections are conducted more fairly and people's votes are of the same weight wherever they find themselves in the United Kingdom. That is an issue of principle which I believe is right, and I hope that when the hon. Gentleman thinks about it he will join the rest of us who want to give people the chance finally to reform our broken political system.

Mr Christopher Chope (Christchurch) (Con): I am grateful to the Deputy Prime Minister for having listened to the views of Back Benchers on the ludicrous 55% proposal, but will he reconsider the answer that he gave to the hon. Member for Rhondda (Chris Bryant)? If the right hon. Gentleman's avowed intent is to give more power to Parliament at the expense of the Government, how can it be right to maintain the current number of Ministers while reducing the number of MPs who hold them to account?

The Deputy Prime Minister: I have a great deal of respect for the hon. Gentleman. He is a long-serving Member who will always hold any Government's feet to the fire, and I respect him for that and pay tribute to him—

Hon. Members: Answer!

Mr Speaker: Order. I apologise—*[Interruption.]* Order. There is simply too much noise in the Chamber. The House must behave in a more seemly fashion.

The Deputy Prime Minister: I hope that the hon. Gentleman will also agree, however, that the measures that we have announced today will strengthen the role of Parliament in holding the Executive to account. They will strengthen the power of this House to throw out a Government through a motion of no confidence, and if a Government are not re-formed within 14 days there will be a general election and a Dissolution of the House. That seems to me to be a very significant shift that takes power away from the Prime Minister, which has never been done before, and gives more power to the House. It is something that I hope the hon. Gentleman will welcome.

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): I welcome the Government's decision to implement Labour's election manifesto pledge for a referendum on the alternative vote system. Many Labour Members will support a yes vote in that referendum, but we will not support the gerrymandering of parliamentary constituencies. What concrete action will the Deputy Prime Minister take to reduce the number of people—3.5 million—who are eligible to be on the electoral register but are not?

The Deputy Prime Minister: I welcome the hon. Gentleman's support for a referendum that would allow people to have their say on the electoral system. I believe, none the less, that the boundary changes that we are proposing are perhaps more modest than he and other Labour Members fear. *[Interruption.]* Well, it is a cut of 7.7% in the number of Members of this House. It brings the size of this House much more into line with existing legislation on what it should be, it starts to bring the size of this Chamber into line with those in other parts of the democratic world, and—this is perhaps part of the answer that I should have given to the hon. Member for Christchurch (Mr Chope)—it does not impede the ability of this House to hold Ministers, however many or few of them there are, to account. That package, combined with the additional powers of Dissolution, provides fairness in the votes that are cast and provides more power to this House.

John Hemming (Birmingham, Yardley) (LD): I am sure that the Deputy Prime Minister has, like me, noticed how the Labour party has mutated from a party that believes in political reform to one that would quite like it, but not now, and not this particular reform. Given Labour Members' opposition, as with the 1832 Reform Act, to their rotten boroughs being removed, does he see that they have now given up on the idea of one person, one vote of equal value?

The Deputy Prime Minister: I agree. It is quite remarkable for a party that was once proud of its credentials as a movement of political reform now to act with barely disguised paranoia about a perfectly logical approach to redrawing our boundaries and with churlishness at the opportunity finally to have a referendum that would usher in AV, which is a proposal that the Labour party

used to make—a party, remember, which back in 1997 fought the election campaign on a manifesto commitment to giving people the right to have their say about how people are elected to this House. This is, yet again, a commitment to political reform that the Labour party has failed to deliver and that we are now delivering for them.

Several hon. Members *rose—*

Mr Speaker: May I reiterate the request for short questions and economical replies? A very large number of colleagues wish to contribute, and I would like to enable them to do so.

Mr Ian Davidson (Glasgow South West) (Lab/Co-op): Does the Minister now regret using the term "fix" in the context of the political system? Does he believe that the referendum that takes place—I would support that—will remain simply on the question of the voting system, or might it not also give people the opportunity to express a view on whether they support the programme of increasing VAT and making cuts that the Liberals have endorsed, and allow us to give a verdict on whether we approve or disapprove of the Liberals?

The Deputy Prime Minister: I suspect that I know how the hon. Gentleman might vote in that referendum. No, the referendum question is just on the narrow point of giving people the option to support the alternative vote system, and it will be susceptible to a simple yes or no answer.

Mr Oliver Heald (North East Hertfordshire) (Con): I welcome the Deputy Prime Minister's proposals to equalise the size of constituencies. Does he agree that this is not just a case of giving equal weight to each vote but it is very important in the context of removing an element of bias in our electoral system and making the system that we have much more proportional than it is at the moment?

The Deputy Prime Minister: Yes, I agree with my hon. Friend. It cannot be right that we can have a situation whereby, as I cited earlier, there are 20,000 more voters in one constituency than in a constituency just 10 miles down the road. That means, quite simply, that the weight of the vote where there are 20,000 more electors is worth less than that in a constituency just 10 miles down the road. It seems to me that it is obvious to most people that that is unfair and needs to be changed.

Frank Dobson (Holborn and St Pancras) (Lab): As the Member with, I believe, the sixth largest electorate in the country, I am acutely aware, despite having 86,000 electors, that in the most deprived parts of my constituency very large numbers of people are not on the electoral register. There is a huge bias in our system against the most deprived people living in the most deprived areas, and unless the Government do something to get them on the register, this really will be a fix.

The Deputy Prime Minister: But what did the previous Government do for 13 years? Of course we can all agree with the right hon. Gentleman that it is bad and wrong that 3.5 million people are not on the register—he is absolutely right about that—but we will take measures to increase and accelerate individual electoral registration. *[Interruption.]*

Mr Speaker: Order. I genuinely apologise that I have to keep interrupting the Deputy Prime Minister, but I want to hear him. I want to hear the content of his arguments and his mellifluous tones, and I keep being prevented from hearing him by people chuntering away from a sedentary position. Please do not.

The Deputy Prime Minister: They chunter because they do not like to be reminded that they did nothing on voter registration for 13 years. They did nothing to give people the chance to have a say about how we are elected to this House, or to rectify the unfairness of the way in which votes are distributed across constituencies. If we could work together across parties to deal with these big issues, including ensuring that those who are not registered become properly registered, I would welcome that, but I just do not think it is helped by the right hon. Member for Holborn and St Pancras (Frank Dobson) somehow accusing a new coalition Government, who have been in power for only a few weeks, of failing to do something about a problem that his Government did nothing to rectify for 13 years.

Mr Peter Bone (Wellingborough) (Con): My right hon. Friend has made a brave and courageous statement for a Government who want radical reform. However, does he agree that referendums should not be held on the same day as elections, so that we can have proper debate? Would it not be a good idea to hold a series of elections on that date, and perhaps another vote that was a matter of yes or no?

The Deputy Prime Minister: I hear what my hon. Friend says, but I disagree with him for the simple reason that I do not think that the question that will be put forward will be very complex. Is it a simple choice: do people want to have the alternative vote as the system by which Members are elected to this House—yes or no? I personally do not see why it would be right to incur the additional cost, complexity and delay that would arise if we had the referendum on a separate date.

Hugh Bayley (York Central) (Lab): We already know that the Prime Minister will campaign for a no vote in the referendum, and many of his Conservative hon. Friends will back his lead. If the Deputy Prime Minister is seeking a yes vote, he will need a lot of support from people such as me—electoral reformers on the Labour Benches. Does he realise that he is not likely to get that if there is a single question on both increasing the size of constituencies and moving to AV? The only way he will get support for AV is by having separate questions on AV and the number of constituencies.

The Deputy Prime Minister: The review of the boundaries will not be subject to a vote in the referendum. The referendum question will simply be on whether people—yes or no—want the alternative vote as the means by which Members are elected to this House.

The hon. Gentleman alludes to the fact that my right hon. Friend the Prime Minister and I will be on opposite sides of the argument. I understand that for the hon. Gentleman and other Opposition Members it is difficult to imagine that there might be different shades of opinion in Governments. I read in the newspapers this weekend of a pollster for the Labour party who disagreed with the party but was too frightened to leave the

[The Deputy Prime Minister]

Government because she said she knew that she would be smeared in the newspapers. At least we on these Benches are grown-up enough to be open and relaxed about differences where they exist.

Mr Andrew Turner: Could the right hon. Gentleman assist me by saying how much consultation there has been with either residents of the Isle of Wight or those further afield?

The Deputy Prime Minister: Of course there must and will be consultation with the hon. Gentleman's constituents, as there will be with constituents up and down the country. I recognise, of course, that he will have particular concerns as he represents an island constituency, but I hope that he will be able to see the virtue of a general principle of fairness and more equal constituencies applying across the United Kingdom, with the exception of the two island constituencies that I referred to earlier.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): I wonder whether the Deputy Prime Minister could give a clear answer to a simple question. Did he or any of his Ministers have discussions with the Scottish Government or any of the Scottish party leaders prior to the date of the referendum being trailed in the press? If he did not, what does that say for the so-called respect agenda for the devolved Administrations?

The Deputy Prime Minister: Clearly, we will be consulting with the devolved Administrations. *[Interruption.]* I do not think that there is anything wrong with the Government's putting forward their proposals in the manner that we have. We have been open and transparent about it and moved as fast as we can. We have told the House first; I often hear Opposition Members complaining that announcements should not be communicated to others. We have come to the House at the earliest possible opportunity. The date and all other matters will now be subject to full scrutiny here on the Floor of the House of Commons, as is right for all Bills that have a constitutional significance.

Mr Mike Hancock (Portsmouth South) (LD): Could the Deputy Prime Minister kindly inform the House about who was consulted about the date of the referendum? If anyone was, what was the response he got? Can he also assure me that there will be legislation before the summer about the reform of the House of Lords, which seems to be sadly lacking in the statement that he has made to the House this afternoon?

The Deputy Prime Minister: I will not repeat what I said earlier about the consultation on the measures that I have described today. As for the Bill for the reform of the other place, I remain determined—we remain determined as a coalition Government—to produce a draft Bill, for the first time in more than 100 years in the debate about reform of the other place, by the end of this year.

Mr Wayne David (Caerphilly) (Lab): May I ask the Deputy Prime Minister specifically what consultation there was with the First Minister about the issue of the Assembly election and the AV referendum being held on the same day?

The Deputy Prime Minister: It is within the gift of this Government to make the proposal and to come to this House first with the announcement. *[Interruption.]* The hon. Gentleman cannot have it both ways; he cannot criticise us for talking to others outside the House when in fact this time we are doing what he and his Labour colleagues have been saying for weeks—that we should come to this House. That is what we have done and that is the right way to proceed.

Philip Davies (Shipley) (Con): The Deputy Prime Minister wants to hold a referendum to change the voting system and make a coalition Government more likely in future. Why does he not think that it is worth letting people see for much longer what a coalition Government look like, so that they can make an informed choice on the voting system rather than having the decision thrust on them so quickly? Why the rush?

The Deputy Prime Minister: By the time the referendum is held, people will have had a whole year; I suggest that that is long enough for them to make a judgment, even if my hon. Friend has made an instant judgment himself.

Ann Clwyd (Cynon Valley) (Lab): In 1832, Wales had 32 MPs and a population of 1 million. Now Wales has a population of more than 3 million and there has been only an 8% increase in its percentage of MPs. Is that just?

The Deputy Prime Minister: I am afraid that I do not agree with the right hon. Lady's assumption that the worth of the House should be judged by the number of Members sitting in it. I do not think that a constant inflation of politicians is a sign of the health of any democracy. I really do not think that a cut by 7.7% of the number of Members in the House is the chilling, draconian measure that she and so many Opposition Members seem to think it is.

Mark Reckless (Rochester and Strood) (Con): The Deputy Prime Minister proposes a referendum on how we are elected. He has also proposed an in-or-out referendum on Europe. Is he aware that some of us will vote to give him a referendum on AV only if he gives us the in-or-out referendum?

The Deputy Prime Minister: As the hon. Gentleman knows, the coalition agreement also includes clear provisions for a referendum lock on any further transfer of power and sovereignty from Parliament to Brussels and Strasbourg. That will reassure him and everybody else that that matter will be put to a referendum of the whole country.

Fiona Mactaggart (Slough) (Lab): I have heard before the words that the right hon. Gentleman uses about making every vote count, and I supported him, although in that case they referred to a more proportional voting system. However, I would support him in making every vote count in terms of equal constituencies if he could confidently show the House that that would be the result of the changes. In view of the fact that the census will report in 2013 and that he proposes a new registration scheme, what resources has he sought to ensure that everyone eligible is registered, so that we can get genuinely fair and equal constituencies?

The Deputy Prime Minister: As the hon. Lady will know, we need to start with the work of the boundary review as soon as possible in order that it can be concluded in the timetable that we have set out. That is why the boundary review will be based on the electoral register that will be published at the beginning of December this year.

Dan Rogerson (North Cornwall) (LD): I congratulate my right hon. Friend on his statement. He will be aware that the boundary between Cornwall and England was set more than a thousand years ago, sadly by conquest. Will the direction that he and the Government give to the Electoral Commission through the Bill take account of such ancient boundaries?

The Deputy Prime Minister: I hear what my hon. Friend says about the boundary between Cornwall and England, although I am sure that many of his constituents would be delighted to know that they are also citizens of England and the United Kingdom. The rule of thumb will be that the Boundary Commission should seek to redraw boundaries according to the simple principle that constituencies should be of a more equal size than they are at the moment, within the parameters that I have described. That will be the predominant requirement on the boundary commissions, and it will be of greater weight and importance than any other considerations.

Phil Wilson (Sedgefield) (Lab): On fixed-term Parliaments, does the Deputy Prime Minister agree with the statement that the Prime Minister made during the general election campaign that unelected Prime Ministers ought to face election automatically within six months?

The Deputy Prime Minister: We have been very clear in the coalition agreement that we want to see the introduction of a Bill for fixed-term Parliaments in which exceptional elections will be just that, and so that we will never again be subjected to the pantomime of 2007, when the Government of this country were paralysed by the Prime Minister's dithering and indecision on whether or not to call an election. The Liberal Democrats and Conservatives have finally put an end to that.

Alec Shelbrooke (Elmet and Rothwell) (Con): Will the Deputy Prime Minister confirm that with an approximate 8% reduction in the number of MPs, there will also be at least an 8% reduction in the ridiculously high administrative costs of the Independent Parliamentary Standards Authority?

The Deputy Prime Minister: IPSA, as the hon. Gentleman knows, is entirely independent.

Caroline Flint (Don Valley) (Lab): We are the only Parliament in the world whose second Chamber is larger than the first, and Labour's next phase of reform would have addressed that—*[Interruption.]*

Mr Speaker: Order. The House must hear the right hon. Lady.

Caroline Flint: Is it true that the Tory-Liberal Democrat coalition plans not only to allow existing peers to remain until they die, but to create nearly 200 more peers at a time when they are going to cut the number of MPs?

The Deputy Prime Minister: I am delighted to hear that the right hon. Lady is already talking about the next phase of Labour's reforms. I wonder what that is. Is it the phase that was in the manifesto in 1997 that was never delivered; the phase about improving individual electoral registration; the phase in favour of a referendum; the phase to devolve power; or the phase to decentralise government in this country?

Caroline Flint: Answer the question!

The Deputy Prime Minister: At the rate the Opposition are going, there is never going to be another phase.

Mr Speaker: Order. It has been a bit broad so far. I gently remind the Deputy Prime Minister that we must focus on the policies of the Government, rather than those of the Opposition.

Duncan Hames (Chippenham) (LD): Will my right hon. Friend confirm that it is the responsibility of local authorities to address their record in electoral registration in time for this new electoral roll to be used in his boundary review?

The Deputy Prime Minister: It is indeed.

Chi Onwurah (Newcastle upon Tyne Central) (Lab): As I hope the House knows, I am a supporter of mathematics in all its guises, but to use mathematics as a cover for what is essentially the gerrymandering of constituencies is an insult to mathematicians everywhere. Newcastle has thousands of unregistered voters, and it also has an identity that we want to keep without continual boundary reviews. Does the Deputy Prime Minister agree that the only votes that did not count at the last election were those of Liberal Democrat voters in search of a progressive party?

The Deputy Prime Minister: I remind the hon. Lady that we all fought the last general election on a boundary review based on the electoral register of 10 years ago. The system is deeply, deeply imperfect. What we are trying to do—and it did not happen in 13 years under the Labour Government—is hold a boundary review, without threatening the identity of Newcastle or any other area. We want it to be done quickly and for it to be established on the simple principle of fairness, with all votes being of equal worth wherever people live in the United Kingdom.

Nick Boles (Grantham and Stamford) (Con): Does my right hon. Friend agree that the right hon. Member for Holborn and St Pancras (Frank Dobson) is an excellent constituency MP, thereby demonstrating that he is fully capable of representing 86,000 constituents, contrary to what the right hon. Member for Blackburn (Mr Straw) said, and that all of us should be capable of doing the same?

The Deputy Prime Minister: I happen to agree that if the right hon. Member for Holborn and St Pancras (Frank Dobson) can do it with a larger constituency than that envisaged in our Bill, any of us can.

Dr William McCrea (South Antrim) (DUP): The referendum has been set for May 2011, but the people of Northern Ireland expect to have two elections on that day already—for the Northern Ireland Assembly

[Dr William McCrea]

and for local government. Do the Government plan to move the local government elections to March, with the referendum and the Northern Ireland Assembly elections in May? That would be two elections in two months. What happened to saving money?

The Deputy Prime Minister: I have been consulting with the Secretary of State for Northern Ireland. The hon. Gentleman makes an important point of principle. If we were to do what Opposition Members suggest and parcel out votes on different days, it would not only incur greater expense but devalue the elections that came later in the cycle. Let us imagine having three different votes on three different matters over the course of three months—that would be an act of disrespect to voters in Northern Ireland as it would to voters in other parts of the UK.

Gavin Barwell (Croydon Central) (Con): I congratulate my right hon. Friend on an excellent statement. I ask him to look again at one issue—the timing of the referendum. I understand his arguments on cost and convenience to electors, but a further consideration is the perception that the referendum is fair. Holding it on a day when my constituents in London have no local elections, but people in Scotland and Wales are electing their national Parliaments, could lead to a skewed result.

The Deputy Prime Minister: The hon. Gentleman raises the question of the date, as many others have. I simply reiterate that it is uncomplicated to ask people to answer yes or no to a simple question on the alternative vote at a time when they are voting on other matters. I do not accept the argument that it is difficult for people to make those different decisions on the same day. I hope that he would also agree that to do otherwise would incur significant additional cost at a time when we are rightly seeking to keep costs down.

Mr Russell Brown (Dumfries and Galloway) (Lab): On three occasions this afternoon, the Deputy Prime Minister has been asked about the 3.5 million people missing from electoral registers. On two occasions he has mentioned individual registration. Does he not realise that that will compound the problem and potentially drive the figure up to 5 million or 6 million people? Where is the equality in conducting the review, with all those people missing from the registers?

The Deputy Prime Minister: We have inherited a register from the previous Labour Government. For 13 years, nothing was done about the large numbers of people who are not on the register. We are now looking at the matter urgently. I disagree with the hon. Gentleman that individual electoral registration would not help to deal with the problem if it is done properly, and if it is properly resourced and given sufficient time to be implemented correctly. That is what we will be seeking to do.

Simon Hughes (Bermondsey and Old Southwark) (LD): Does the Deputy Prime Minister not agree that, in addition to the three welcome modernising proposals, which give more power to the legislature over Government, more power to the voter and more power to individual MPs, who will have greater authority because a majority of their constituents will support them, the Bill gives us the opportunity to respond to the other fallacious argument—that there is gerrymandering in the Bill—and ensure that we can have a modern electoral registration process that captures everybody in the months before voting, so that there can be no excuse for anybody who wants to vote not being on the list and no argument that the constituencies will not be fair in future?

The Deputy Prime Minister: My hon. Friend is right. Once the synthetic fury about the proposal dies down, I hope not only that Members in all parts of the House will see that the proposal to cap the number of Members of this House at 600 is a sensible one, based on the simple principle of fairness and equality, but that this will be accompanied by greater efforts—I hope that we will be able to work on this across party lines—to ensure that those who want to vote are registered to vote in the first place.

Kelvin Hopkins (Luton North) (Lab): The Deputy Prime Minister touched on the malign impact of big money on politics in Britain, a point on which I totally agree. Does he not accept that the only way to control that is to have rigid and low limits on spending at elections and between them, to ensure that Lord Ashcroft and his friends do not buy elections in future?

The Deputy Prime Minister: I agree with the hon. Gentleman that we should of course strive towards a cross-party approach on party funding, which is something to which this Government will return. We explain clearly in our coalition agreement that we want to pick up from where the cross-party talks on funding reform in the previous Parliament collapsed—and collapsed on all sides—and finally get big money out of British politics, so that the way in which we conduct ourselves and fight campaigns is beyond reproach.

Dr Julian Huppert (Cambridge) (LD): Is my right hon. Friend aware that preferential voting systems such as AV are used for internal party elections in most, if not all parties in this House, as well as for elections to positions in this House—including your position, Mr Speaker—and that some Members were elected to this House using such systems until 1950? Given that, does he understand why some Members believe that preferential voting is good enough for us, but not good enough for the public?

The Deputy Prime Minister: I agree with my hon. Friend that preferential voting is not as alien a concept as it is sometimes made out to be. All three main parties in the House use a form of preferential voting to elect their leaders—in fact, the Labour party is doing it right now—and a form of preferential voting was used for the election of the Mayor of London. AV is not a proportional system; it is a preferential system, and it is right that people up and down the country should now have their say on whether it should be introduced or not.

Kevin Brennan (Cardiff West) (Lab): On the issue of Wales, if the Government received a request from the Welsh Assembly under the Government of Wales Act 1998 to delay the Welsh Assembly elections by a month, as is allowed under the regulations, what will the Government's response be? Is the Deputy Prime Minister ruling that possibility out?

The Deputy Prime Minister: I will of course consult the Secretary of State for Wales, and, indeed, the Secretary of State for Scotland. I know that the Secretary of State for Wales is in Cardiff today. If that request is made, we will of course have to take a decision at that time.

Conor Burns (Bournemouth West) (Con): In reply to my hon. Friend the Member for Croydon Central (Gavin Barwell), the Deputy Prime Minister used the argument that people would not be confused about voting on two separate issues on the same day. I entirely agree with him, but if we are going to change the voting system, it must have complete credibility, and there is a real risk that in holding this referendum on a day when there will be differential turnout in different parts of the United Kingdom, it will not have that credibility. Will the Deputy Prime Minister reflect on the fact that if we are going to make this change, it would be in his interest for it to have complete legitimacy?

The Deputy Prime Minister: I hear what my hon. Friend says. I suspect, to be honest, that for those who quite rightly wish to argue that there should be no change to the system, almost any date will be construed in one way or another as being a reason for why the vote should not proceed on that date. My view is that the arguments we have put forward—of cost; of getting on with it, given that we have all recently fought an election campaign in favour of political reform; and of preventing people from returning over and over again to the ballot box—are arguments well made, which I hope my hon. Friend will, over time, share.

Mr Tom Watson (West Bromwich East) (Lab): May I be the first Member unequivocally to say to the Deputy Prime Minister this afternoon that he has my full support for a yes vote in the referendum? On civil service reform, does he intend to prohibit the practice whereby Ministers can make political appointments by granting temporary civil service status to members of staff? Will he tell me how many people are currently in that position?

The Deputy Prime Minister: I cannot answer the latter question. I am very grateful, however, for what the hon. Gentleman said at first—that he is keen to provide support for the referendum campaign.

David Morris (Morecambe and Lunesdale) (Con): What consideration has been given to the gerrymandering—an issue raised across the Floor—of postal votes in connection with electoral reform?

The Deputy Prime Minister: My hon. Friend makes a very good point. I think there is widespread concern on both sides of the House about the evidence of irregularities in the way postal votes are administered. We are indeed looking at that right now.

Barry Gardiner (Brent North) (Lab): When the Deputy Prime Minister said only months ago that the electorate of Islington North was 66,472 while only 10 miles away, the comparable figure in East Ham was 87,809, was he referring to the position before the general election at which point the Boundary Commission came in to remedy that situation? Does he not think that it was perhaps disingenuous to mislead the House in that way? Does he accept that—

Mr Speaker: Order. I am sorry to interrupt the hon. Gentleman, but I did appeal for economy in questions and time is moving on; we must progress. I think that we have got the thrust of his question, and we are grateful for it.

The Deputy Prime Minister: The figures I cited were the figures that prevailed at the time of the last general election.

Mike Gapes (Ilford South) (Lab/Co-op): The Deputy Prime Minister is a student of Germany. He will be aware of what happened in the early 1980s when Hans-Dietrich Genscher betrayed Helmut Schmidt, crossed the floor, and propped up a new Government without the election of Helmut Kohl. Is it his aspiration to be the Hans-Dietrich Genscher in British politics? *[Interruption.]*

The Deputy Prime Minister: Yes, exactly: "Nein" is the answer.

Richard Burden (Birmingham, Northfield) (Lab): It will probably come as no surprise to the Deputy Prime Minister that, in common with other Members, I fundamentally disagree with his arguments about boundaries and cutting the number of MPs, but will he accept that whoever is right or wrong on that argument, it is an entirely separate argument from whether we should change the voting system? Why, then, has he sought to put all this together in one Bill? Does not this appear to be more of a deal between coalition partners than the deal that he should be involved in—a deal with the British people to give them a say on the kind of voting system that they want?

The Deputy Prime Minister: I of course agree that as far as the referendum is concerned, it is purely on the issue of the electoral system. I disagree with the hon. Gentleman, however, that there is somehow no link at all between the electoral system by which Members are voted to this House and the size of different constituencies. In a sense, it seems to me that both these measures are complementary; they work hand in hand to deal with a fundamental unfairness whereby votes in some areas are frankly disregarded while in other areas the worth of someone's vote is much greater than elsewhere. These measures taken together seek to remedy that.

Dr Sarah Wollaston (Totnes) (Con): I welcome the opportunity for the electorate to have a chance to vote on AV, but does the Deputy Prime Minister share my concern that it gives a second bite of the cherry to minority parties such as the BNP?

The Deputy Prime Minister: I think that the alternative vote system, were it to be introduced, would not be susceptible to the dangers of some other electoral systems of fostering and allowing extremist parties to get a foot in the door of mainstream politics. If it were susceptible to such dangers, I would be as concerned as she is.

Tristram Hunt (Stoke-on-Trent Central) (Lab): The Deputy Prime Minister had the audacity to mention the Chartists, who did not believe in taxing the poor, but did believe in annual Parliaments. Will the Deputy Prime Minister tell us the average length of a Parliament since 1867 and why this Government, of all Governments, should last longer?

Mr Speaker: May I ask the Deputy Prime Minister not to read a history book before providing his answer?

The Deputy Prime Minister: This is 20 questions by a historian. The last Government—the hon. Gentleman's party in government—governed for five years. We are merely legislating—*[Interruption.]* Instead of setting history questions, why does he not think about why his party, which was once a party of political reform, now seems to be backing off from that long-standing political tradition? It is a great shame that that is happening.

Mr David Hamilton (Midlothian) (Lab): No matter how much gerrymandering the Deputy Prime Minister does, it will not make one bit of difference in Scotland, because there will not be another Tory who gets elected up there. The biggest issue I face every year is the number and complexity of elections taking place, and the type of elections taking place. Surely the logic is to have a referendum with a multitude of choices, so that people decide once and for all which electoral system to adopt, ending the current plethora of electoral systems.

The Deputy Prime Minister: I agree that the development of different electoral systems for different bodies creates complexities of its own. However, we should not make the best the enemy of the good. We are aiming not for excessive neatness, but simply asking people whether they want to change the system of election to this House to the alternative vote—yes or no. As our political system evolves, the longer-term question, which the hon. Gentleman poses, is whether we should seek greater consistency across different elected bodies' electoral systems.

Mr Andrew Love (Edmonton) (Lab/Co-op): If the boundary review goes ahead on the basis of the register in December, it is likely that at least 10% of my electorate will be missing from that register. Contrary to what the right hon. Gentleman said about individual registration, all the evidence suggests that its introduction, especially on an accelerated programme, is likely to make matters worse. If more than 3.5 million people will be missing from the register, all of us in the House need to ask whether that will be good for democracy.

The Deputy Prime Minister: As I said, we have inherited the deep flaws in the register from the previous Government. It is incumbent on all of us, and on local authorities that administer the process, to encourage people to register in the first place. Clearly, with the prospect of the boundary review being conducted on the new electoral register, local authorities and every Member of the House have an added incentive to innovate locally, door to door, to get more people to register in the first place.

Karl Turner (Kingston upon Hull East) (Lab): On the issue of recall, does the Deputy Prime Minister consider himself in danger of recall, given the serious wrongdoing he has inflicted on the people of Sheffield, Hallam?

The Deputy Prime Minister: Thanks for the relevant question.

As the hon. Gentleman is aware, the loan pledged by the last Government to Sheffield Forgemasters—an outstanding company about which I suspect I know a great deal more than he does—was announced for political purposes, just before the general election, to allow the then Prime Minister to make a late-night photo-opportunity visit to Sheffield Forgemasters two days before the election, and the Government made that announcement in the full knowledge that they did not have the money to make the promise in the first place. What was cynical—deeply cynical—was for a Government to raise the hopes of people in Sheffield by making promises which they knew they could not afford.

Mark Menzies (Fylde) (Con): In his statement the Deputy Prime Minister mentioned sorting out the influence of big money in politics. Does that include trade union money?

The Deputy Prime Minister: Clearly, any new arrangement for the funding of political parties will need to be binding on all political parties in a consistent manner, and that is what we will aim to achieve.

Gordon Banks (Ochil and South Perthshire) (Lab): The Prime Minister is already committed to answering questions in the Scottish Parliament on issues of real importance. Can the Deputy Prime Minister tell us when the Prime Minister will go to Holyrood to answer questions about the referendum date?

The Deputy Prime Minister: I think that that is a matter for my right hon. Friend the Prime Minister. I am sure that he will reply to the hon. Gentleman's question as soon as he knows when he will be answering questions in the Scottish Parliament.

Chris Heaton-Harris (Daventry) (Con): My right hon. Friend and I used to represent a region containing 4.2 million people in the European Parliament, and we now represent constituencies with electorates of roughly the same size. Can my right hon. Friend tell us how large he thinks the electorate would be in the ideal seat?

The Deputy Prime Minister: We estimate, on the basis of calculations that will need to be derived from the electoral register published in early December, that the optimal size will be about 75,000.

Chris Leslie (Nottingham East) (Lab/Co-op): Will the Deputy Prime Minister think again about the question asked by my hon. Friend the Member for Rhondda (Chris Bryant) and the hon. Member for Christchurch (Mr Chope)? If there is a reduction in the number of Members of Parliament but not in the number of Ministers as set out in the Ministers of the Crown Act 1975, there will be an increase in the ratio between the number of Ministers and the number of Back Benchers. Does he understand that point, and will he now address it?

The Deputy Prime Minister: I simply do not accept that there is an imbalance between the number of Ministers and the manner in which they are held to account by a House which will be about 7.7% smaller. I believe that a House with 600 Members will be as well equipped to hold this and, indeed, any other Government to account as the present House is with 650.

Jim McGovern (Dundee West) (Lab): The Deputy Prime Minister seems to accept that chaos occurred both during and following the 2007 election in Scotland, when more than 100,000 ballot papers were spoilt. The

Gould report recommended that never again should people be presented with different ballot papers on the same day. The Deputy Prime Minister chooses to ignore that. Can he tell us why? He constantly refers to a ballot paper saying simply "yes or no". Can he answer "yes or no" to this question? Has he consulted the Scottish Executive?

The Deputy Prime Minister: As it happens, the hon. Gentleman is wrong on a point of fact. The Gould report said very clearly that there was merit in votes coinciding on the same day, but said equally clearly that the way in which the ballot papers were designed in the 2007 election caused enormous confusion to voters. I do not believe that that dilemma will arise for people in this referendum, given the simplicity of the choice and the simplicity of the question.

Katy Clark (North Ayrshire and Arran) (Lab): Does the Deputy Prime Minister accept that in poorer working-class areas, fewer people register to vote and there is a lower turnout? Does he agree that it is important for those communities to have fair representation?

The Deputy Prime Minister: I accept, of course, that we must all make efforts—as individual Members and, as I said earlier, in co-operation with local authorities—to encourage people to register to vote if they are not already registered. However, I cannot escape the fact that we are having to operate with tools which we inherited from the last Government, and which allowed the wholly unacceptable circumstances in which 3.5 million people are not on the electoral register to occur in the first place. We will do whatever we can in trying to remedy that, but I ask the hon. Lady and other Opposition Members what on earth they were doing for 13 years if they feel so strongly about the problem now.

Andrew Percy (Brigg and Goole) (Con): If we move forward on House of Lords reform to an elected House, which I would support, will we then subject the poor voters of Brigg and Goole and other constituencies to a referendum on the electoral system for that House too?

The Deputy Prime Minister: In the Bill that we will publish before the end of the year, we will also propose the electoral system by which Members of the other place would be elected.

Ian Mearns (Gateshead) (Lab): The Deputy Prime Minister has repeatedly suggested that the electoral register was inherited from the last Labour Government, but he also agreed with his colleague, the hon. Member for Chippenham (Duncan Hames), that it is within the domain of local authorities to compile the electoral register. Which one is it?

The Deputy Prime Minister: Clearly, the system is one that we have inherited from the previous Government, but equally it is right that local authorities have a statutory responsibility to take steps to make sure the electoral register is up to date. I do not think those two things are mutually exclusive.

Andrew Bridgen (North West Leicestershire) (Con): Can the Deputy Prime Minister confirm whether the new, reconstituted constituencies will cross current regional boundaries?

The Deputy Prime Minister: They may do, but the intention is that they will none the less retain the key building block of any constituency, which is ward boundaries. We want to keep that building block in place, as it would be simply too complicated to conduct the boundary review on the scale that has been proposed by any other means.

Mr Speaker: Order. We shall now move on to the statement on education funding. I ask Members wishing to leave the Chamber to do so quickly and quietly.

Education Funding

4.51 pm

The Secretary of State for Education (Michael Gove): With permission, Mr Speaker, I would like to make a statement on education funding.

This coalition Government are determined to make opportunity more equal and to reverse the decline in the performance of our education system relative to that of our international competitors. Over the last 10 years we have declined from fourth in the world for the quality of science education to 14th, from seventh in the world for literacy to 17th, and from eight in the world for mathematics to 24th. At the same time the gulf between rich and poor has got wider, with the attainment gap between students in fee-paying schools and those in state schools doubling. But the action necessary to improve our schools is made more difficult by the truly appalling state of the public finances left by the last Government.

This coalition Government have inherited a national debt approaching £1 trillion, a budget deficit of £155 billion and debt interest costs every year that are more than the entire schools budget. It is no surprise then that the last Labour Chancellor of the Exchequer felt he had to pledge a 50% cut in all capital spending, the last Labour Education Secretary could not make any firm promises to protect schools capital spending in the future, and the last Labour Chief Secretary to the Treasury left a letter saying simply, "There is no money left."

Faced with the desperate mess left by the last Administration, this Government have had to prioritise, and our first priority is raising the attainment of the poorest by investing in great teaching. We know that the world's best education systems have the most highly qualified teachers, and we are fortunate that the current generation of teachers is the best ever, but we must do better if we are to keep pace with the best in the world.

No organisation has done more to attract brilliant new recruits into the classroom than the charity, Teach First. Since its launch, Teach First has placed hundreds of highly accomplished graduates in our most challenging schools and has helped to drive up attainment in those schools for the very poorest children. We believe that every child should have access to excellence, especially the poorest, which is why we will more than double the size of this programme from 560 new teachers a year to 1,140. We will help recruit hundreds more teachers into areas of poverty, so there will be Teach First teachers in one third of all challenging schools, and, breaking new ground, we will fund the permanent expansion of Teach First into primary schools so that more than 300 superb new teachers will be working in some of the country's most challenging primaries.

However, while we have chosen to invest in people, there have been alternative submissions on how to make savings in the education budget. The shadow Education Secretary has argued in *The Sunday Times* that we should be sacking 3,000 heads and deputy heads this year in order to balance the books. I have rejected that advice. While the Labour party's answer to our economic mess is further undermining the teaching profession, our answer is supporting great teaching. Therefore, in order to clear up the economic mess we have been left, we have to bear down on the waste and bureaucracy that has characterised Labour's years in office and rein back the projects that have not been properly funded.

Even before we formed this coalition Government and had the opportunity to look properly at the scandalous mess we inherited, we knew that Labour Ministers had no proper respect for public money. The whole process by which the then Government procured new school buildings was a case in point. The Building Schools for the Future scheme has been responsible for about one third of all this Department's capital spending, but throughout its life it has been characterised by massive overspends, tragic delays, botched construction projects and needless bureaucracy.

The BSF process had nine meta-stages: preparation for BSF; project initiation; strategic planning; business case development; procurement planning; procurement; contractual close; construction; and then operation. Each of these meta-stages had a series of sub-stages. Meta-stage 3—strategic planning—for example, had another nine sub-stages. Step 1 required local authorities to produce a strategic overview of the education strategy. Step 2 required local authorities to produce a school and further education estate summary. Step 5 required local authorities to produce another strategic overview—this time with "detail and delivery". Step 6 required local authorities to use the school and FE estate summary to develop an "estates strategy". Only once we had reached step 9—once the Department for Education had given approval—did part 2 of the "strategy for change" become complete. This level of bureaucracy was absurd and had to go.

For those who doubt that money was wasted on the process, I have here just the first three of more than 60 official documents that anyone negotiating the BSF process needed to navigate. This whole process has been presided over by the Department for Education and the quango Partnerships for Schools, and at various times has involved another body, 4ps, and Partnerships UK. Local authorities involved in this process have employed a Partnerships for Schools director, a Department for Education project adviser, a 4ps adviser and an enabler from the Commission for Architecture and the Built Environment—another non-departmental public body.

Local authorities have also had to set up a project governance and delivery structure, normally including a project board of 10 people, a separate project team of another 10 people and a further, separate, stakeholder board of 20 people. They formed the core group supervising the project. Beyond them, local authorities were expected to engage a design champion, a client design adviser and a 4ps gateway review team—a group of people who produce six separate gateway reviews over the course of the whole project. It is perhaps no surprise that it can take almost three years to negotiate the bureaucratic process of BSF before a single builder is engaged or brick laid.

Some councils that entered the process six years ago have only just started building new schools. Another project starting this year is three years behind schedule. By contrast, Hong Kong international airport, which was built on a barren rock in the South China sea and can process 50 million passenger movements every year, took just six years to build from start to finish.

Given the massively flawed way in which BSF was designed and led, it failed to meet any of its targets. BSF schools cost three times what it costs to procure

buildings in the commercial world, and twice what it costs to build a school in Ireland. The last Government were supposed to have built 200 wholly new schools by the end of 2008; they had only rebuilt 35 and refurbished 13. Those schools that were refurbished had to abide by a regulatory regime that prescribed the size and shape of cycle racks and of changing rooms next to showers, and even the precise species of plant allowed on school sites. The cost to each school for just participating in the early stages of the programme was equivalent to the cost of a whole newly qualified teacher. The cost of setting up the procurement bureaucracy before building could commence has been up to £10 million for each local area.

And this expenditure did not guarantee quality. One BSF school was built with corridors so narrow the whole building had to be reconstructed; another had to be closed because the doors could not cope with high winds. One was so badly ventilated that additional mobile air conditioners had to be brought in during the summer, and pupils were sent home. In three other BSF schools pupils collapsed from heat exhaustion, as design faults repeatedly sent the temperature up to 38° Celsius; that is hotter than August in the Sahara. After Labour's 13 years in power only 96 new schools out of a total secondary school estate of 3,500 schools have ever been built under BSF. The dilapidated school estate that we have today is, alongside our broken public finances, Labour's real legacy. Far from using the boom years to build a new Jerusalem, the previous Government only managed to fix just under 3% of roofs while the sun was shining.

The whole way in which we build schools needs radical reform to ensure that more money is not wasted on pointless bureaucracy, to ensure that buildings are built on budget and on time, and to ensure that a higher proportion of capital investment gets rapidly to the front line. That is why I can announce today that a capital review team, led by John Hood, the former vice-chancellor of Oxford university, Sir John Egan, the former chief executive of BAA plc and Jaguar, Sebastian James, the group operations director of Dixons Store Group, Kevin Grace, Tesco's director of property services and Barry Quirk, the chief executive of Lewisham council, will look at every area of departmental capital spending to ensure that we can drive down costs, get buildings more quickly and have a higher proportion of money going directly to the front line.

In order to ensure that we do not waste any more money on a dysfunctional process, I am today taking action to get the best possible value for the taxpayer. I will take account of the contractual commitments already entered into, but I cannot allow more money to be spent until we have ensured a more efficient use of resources. Where financial close has been reached in a local education partnership, the projects agreed under that LEP will go ahead. I will continue to look at the scope for savings in all these projects. Where financial close has not been reached, future projects procured under BSF will not go ahead. This decision will not affect the other capital funding in those areas; schools will still receive their devolved capital allowance for necessary repairs. The efficiencies that we make now will ensure better targeting of future commitments on areas of greatest need.

There are some areas where, although financial close has not been reached, very significant work has been undertaken, to the point of appointing a preferred bidder at "close of dialogue". There are 14 such cases, in which two or, occasionally, three projects have been prioritised locally as sample projects, to be the first taken forward in the area. I will be looking in more detail over the coming weeks at these sample projects to see whether any should be allowed to proceed.

As we believe in supporting those in greatest need, my Department will be talking to the sponsors of the 100 or so academy projects in the pipeline—those with funding agreements or that are due to open in the coming academic year—which are designed to serve students in challenging schools in our most deprived areas. Where academies are meeting a demand for significant new places and building work is essential to meet that demand, where there is a merger and the use of existing buildings would cause educational problems, and where there is other pressing need, I will look sympathetically on the need for building work to go ahead. But where projects are some way from opening or sponsors can use existing buildings to continue their work, any future capital commitments will have to wait until the conclusion of our review.

That review is made all the more necessary because as pupil numbers rise in years to come we have to ensure that our first duty is guaranteeing an expansion in capacity to meet that demographic growth. Action is urgently needed today because the whole of my predecessor's Department's spending plans were based on unsustainable assumptions and led to unfunded promises. In the forward projections that we inherited, the previous Government were relying on taking massive underspends, worth billions of pounds, across Government to fund promises on college places for teenagers and school buildings. That was a fundamentally irresponsible approach to so important an area. Fortunately, in this coalition Government we have a proper relationship between the Department for Education and the Treasury. That is why we have deliberately reduced our forecast reliance on underspends elsewhere and brought our spending into line. In the process, we have kept capital spending within the envelope outlined by the previous Government, so there are no reductions beyond those for which the Treasury had budgeted.

By bearing down on costs now we can ensure that money will be available in the future to help secure additional places, to help the most disadvantaged pupils and to refurbish those schools in greatest need. We have safeguarded front-line revenue schools spending, we have safeguarded front-line spending on Sure Start and we have safeguarded front-line spending on school and college places for 16 to 19-year-olds this year. We have cut spending on wasteful quangos, we have cut the unnecessary bureaucracy which has swallowed up so much money and we have reduced the amount spent on regional government, on field forces and on unnecessary Government inspection regimes; but we have prioritised funding for better teachers, we have invested more in the education of the poorest and we are giving schools greater control of the money that has previously been spent on their behalf. For everyone who believes in reforming education that has to be the right choice, and I commend this statement to the House.

Several hon. Members *rose—*

Mr Speaker: Order. I am sorry to say that the Secretary of State significantly exceeded his time, which he will not be allowed to do again. In fairness, I shall also have to allow some modest leeway for the shadow Secretary of State.

Ed Balls (Morley and Outwood) (Lab/Co-op): The Labour Government built or refurbished 4,000 schools—the biggest school building programme since the Victorian era—and today is a black day for our country's schools. It is a damning indictment of this new Tory-Liberal coalition's priorities and it is a shameful statement from this new Secretary of State, who will for ever go down in history as the man who snatched free school meals from 500,000 poorer pupils and has now, today, in one stroke axed hundreds of brand-new schools from communities across the length and breadth of our country.

Building Schools for the Future was a once-in-a-generation chance to transform the whole local fabric of education—of secondary education, special schools and vocational learning, too. The freezing of the programme that has just been announced is a hammer blow for many hundreds of thousands of children, parents, teachers and governors who will now not get the transformed new school they were promised.

I predicted this day during the general election, and, after weeks of indecision, uncertainty and media speculation that has led to widespread confusion and concern in schools and in the construction industry, too, I am grateful that the right hon. Gentleman has finally made a statement to this House. However, is it not a disgrace that, even now, the Secretary of State has not provided a list of all the schools that will be affected? How can hon. Members on both sides of the House ask questions of the Secretary of State when they do not know which of the schools in their constituencies will be affected? The Secretary of State knows the names of the schools. I believe that he has a duty to tell the House and the country and that he should agree to publish the list now—straight away—so we can give it proper scrutiny.

Let me turn to the some of the detailed issues that the right hon. Gentleman mentioned. On standards, will he confirm that in the recent trends in international mathematics and science study—or TIMSS—England has risen from 25th in the world to seventh in the world and that among 10 to 14-year-olds we now have the highest achievement in mathematics of all European countries in that study? Why cannot he stop running down the achievements of our children and teachers in our schools?

On teaching, does the Secretary of State agree that we have the best generation of teachers that we have ever had? Will he confirm that the previous Government had already invested in expanding Teach First, including pilots for primary schools? Is he aware that it was the leadership of Teach First who warned me that to accelerate the expansion of the programme any faster would put at risk the quality and success of Teach First—a risk that he has just taken in this statement?

On the Building Schools for the Future programme, the National Audit Office looked into the programme last February and said that originally the forecasts were "overly optimistic", and that local authorities were asked

"to spend more time to improve their proposals, because...it was more important to improve the quality than to accelerate the programme."

The NAO concluded that the processes for procurement had "significantly" improved and also found that the total capital cost of each BSF school was similar to that of other schools and 17% cheaper than that of previous academies.

In the next year, as the Secretary of State travels around the country opening the 200 new schools set to open under the BSF programme, will he tell pupils, parents, governors and contractors that their school is part of a programme he believes to be "dysfunctional" and a "waste" of money? Or will he withdraw these unrepresentative and vindictive remarks? It is not the bureaucracy that he is abolishing, but hundreds of new schools for children in our country.

As for my record as Secretary of State, some very serious allegations have been made. I have this afternoon written to the permanent secretary at the Department for Education, who was also the accounting officer for the whole time I was Secretary of State. I have asked him to confirm that all capital funding announcements, including those on BSF, were made with prior agreement between the Department and the Treasury in a normal and fully legitimate way and with his full agreement as chief accounting officer and to confirm that if that had not been done properly, the accounting officer would have insisted on a ministerial direction but that no such directions were issued by me and none were requested. If the right hon. Gentleman has evidence that the proper processes were not undertaken, it is incumbent on him to provide that evidence to the House, rather than make these allegations. I hope that he will agree that his permanent secretary must be encouraged to clarify these issues as soon as possible today.

The right hon. Gentleman has chosen today to freeze BSF and to ask one of the Prime Minister's old university chums to review the whole programme. He has offered no assurance that this review is anything more than a fig leaf, however. Is it not the truth that 750 schools that have not yet signed their contracts will now be told that they will not get their new school building? We need to know how many schools will be affected, where they are, and how much money has already been spent on those programmes. Is it correct, as the *Financial Times* reports, that more than £1 billion-worth of new undertakings have been signed since the general election? Does the right hon. Gentleman have an estimate of how much his Department will now have to pay in legal and contractual costs associated with those frozen or cancelled contracts? How many private sector jobs does he think will be lost as a result of these decisions?

The Secretary of State says that this decision is inevitable. That is what Ramsay MacDonald said in 1931, and Margaret Thatcher said to the House in 1980 about investment spending cuts. Only a few weeks ago, the Chancellor of the Exchequer told the House in the Budget statement that

"an error was made in the early 1990s when the then Government cut capital spending"

and said that he had decided that there

"will be no further reductions in capital spending totals".—[*Official Report*, 22 June 2010; Vol. 512, c. 170.]

Is it not the truth that, while I won my battles with the Treasury for rising education spending, the Secretary of State has lost his battle and is now planning cuts of between 10% to 20% to the schools budget? Will he also

confirm that his top priority for the spending review will be his free-market schools policy, which will see new schools being built in an unfair two-tier system paid for by cuts to the Building Schools for the Future programme and to the new schools that were promised over the past year or two in the constituencies of hon. Members on both sides of the House?

What we have seen from the coalition today is another attack on jobs, another assault on opportunities and a huge blow to the life chances of children in communities across our country. This was not an unavoidable decision; it is a choice that the right hon. Gentleman has made, and in my view, he has made the wrong choice. I say to every family, every school, every Member of Parliament and every community blighted by this decision that we on this side of the House will fight to save our new schools. We not stand idly by and see this happen.

Michael Gove: I am grateful to the shadow Secretary of State for his questions. As I pointed out in my statement, the number of schools rebuilt under Building Schools for the Future under the previous Government was just 96 out of 3,500 secondary schools. Under this Government, 706 projects will go ahead. It is also the case, as he said, that we know where those school projects are. As hon. Members will know, projects will go ahead in those local authorities that have reached financial close, and I presume that they will know whether their local authority has reached that stage. Every single one of the school projects that is to go ahead will be listed, and every Member of the House and every local authority is being written to today to be told which projects are going ahead—*[Interruption.]* The Opposition will appreciate that, with more than 1,500 projects involved, many of them needed to be looked at in detail. That is why I will be writing to every Member of the House.

The right hon. Gentleman said that we were going to cancel free school meals. I must remind him that not a single child in receipt of free school meals will lose their free school meals under this Government. That is an unsubstantiated allegation. He also said that he predicted today's announcement during the general election. However, during the general election, my hon. Friend the Member for Bognor Regis and Littlehampton (Mr Gibb) said that we would be looking at Building Schools for the Future, and that we could not guarantee any project beyond financial close. So there was no prediction on the part of the right hon. Gentleman, but there was a grim warning on the part of my hon. Friend that the devastating assault on the public finances over which the right hon. Gentleman helped to preside meant that tough decisions would have to be taken by anyone, whatever the result of the election.

The right hon. Gentleman argues that under the proposals, the private sector will lose out. I have to point out to him that we are sticking precisely to the limits on capital laid out by the right hon. Member for Edinburgh South West (Mr Darling). If the right hon. Member for Morley and Outwood (Ed Balls) thinks that the proposed level of capital spending is devastating for the private sector, he should have been campaigning against the last Chancellor of the Exchequer before the last election. *[Interruption.]* Let me rephrase that. He should have been campaigning more vigorously against the last Chancellor of the Exchequer before the last election.

The right hon. Member for Morley and Outwood says that the leadership of Teach First did not back our proposals for expansion. I have to say that our proposals for expansion were negotiated with the leadership of Teach First, who were delighted to see the Government carry forward what the previous Government were not able to do. He says that that is money wasted, and he refuses to back that expansion of Teach First. I believe that investing money in quality teaching in our poorest schools is the right choice for the future. It is interesting that he thinks it is the wrong choice. It is also interesting that the right hon. Gentleman thinks that having gone to a public school and Oxford university automatically rules someone out of making any decision about the future of school capital, in which case he is hoist by his own rhetorical petard.

Let me make it clear that if we compare the improvement in attainment between Building Schools for the Future and Teach First, a report by PricewaterhouseCoopers showed that Building Schools for the Future had little statistically significant impact on people's attitude and behaviour and there was no firm evidence of improved attainment, whereas Teach First, in a study by the university of Manchester, has been shown to have led to a statistically significant improvement in GCSE results.

The truth is that the right hon. Gentleman made unsustainable and irresponsible promises that he knew no Government could keep. He went around the country saying that new schools would be built, when the Chancellor had pledged to cut capital spending in half. He asks about the reality of his irresponsible spending. In the three years in which he was in charge of his Department, the amount of spending that he was relying on coming from other Departments—the amount of underspend that he was relying on—rose from £80 million to £800 million and now to more than £2.5 billion. That £2.5 billion of unfunded commitments is evidence of scandalous irresponsibility.

If anyone in the House wants an example of a truly damaging decision on school building, I remind Opposition Members what the last Labour Government did with the Learning and Skills Council. Ministers invited scores of schools and colleges to submit building plans, which cost those schools and colleges millions of pounds. Ministers then arbitrarily and without warning cancelled 90% of those projects scheduled to go ahead. When those projects were cancelled, schools' budgets were devastated and there were holes in the ground—

Mr Speaker: Order. May I gently say to the Secretary of State that I am witnessing something that is, in my experience in the Chair, unprecedented? The right hon. Gentleman must answer the questions that are put to him. He is not supposed to be reading out a previously written script which either was or was not said before. What I want the Secretary of State to do is briefly to respond to each question, and I would like Back Benchers to have a chance to participate.

Michael Gove: I am very grateful to you, Mr. Speaker. The point that I was making is that if we are looking at school building projects and we want to see what scandalously went wrong, we need to look at what went wrong under my predecessor. When he was responsible for the Learning and Skills Council, 90% of projects were cancelled. When he was responsible for education funding, we know that 90% of projects had to be—

Mr Speaker: Order. I am sorry. Let me say to the Secretary of State that the assurance of his gratitude is of no interest to me; adherence to my ruling is. The right hon. Gentleman has had his say. We will now proceed to Back Benchers. I want to accommodate as many as possible, and that requires economy both in question and in answer.

Mr Graham Stuart (Beverley and Holderness) (Con): Building Schools for the Future achieved too little at too great a cost, as the Labour-dominated Select Committee on Children, Schools and Families concluded in the previous Parliament. When will the new review team report back to the Secretary of State so that we can have a clearer view of the policy going forward?

Michael Gove: We hope to have an interim review reporting in September, which will tell us how we can make significant improvements in efficiency, which will feed into the spending review. The culmination of that review should be by the end of the calendar year.

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): Schools in Liverpool will be devastated by the Secretary of State's announcement today. When the Building Schools for the Future programme was devised we deliberately decided to focus first on the schools in the poorest parts of the country. He said at the beginning of his statement that his priority was raising the attainment of the poorest. How does the announcement today do that for communities such as the one that I represent in Liverpool?

Michael Gove: I am grateful for the hon. Gentleman's question and can confirm that four schools in his constituency are unaffected and five have been stopped, but it is my—*[Interruption.]*

Mr Speaker: Order. At this point the Secretary of State's answer is entirely orderly. Let us hear it.

Michael Gove: I am grateful for the hon. Gentleman's contribution when he was a schools Minister. He will appreciate, as I do, that the most important thing in improving attainment for the poorest is making sure that we improve the quality of teaching.

Charlotte Leslie (Bristol North West) (Con): Ever since I was a candidate, I have watched local education partnerships—mentioned only briefly—soak up endless time and money. Academy sponsors have come to me in despair because of the amount of money that those bureaucratic layers have soaked up—money that should be going to the poorest. I believe that Labour Members have a concern for bridging the gap between the rich and poor, and I know that my right hon. Friend does. Does he agree that it is a tragedy to see every penny soaked up by local education partnerships, by the papers on his table and by bureaucratic layers, rather than going to those children who most need it?

Michael Gove: My hon. Friend makes a very good point. In every local authority that has entered Building Schools for the Future so far, the average amount spent on local education partnerships is between £9 million and £10 million. That money should have gone to the front line, into bricks and mortar and into improving education, not into the pockets of bureaucrats.

Mr Dennis Skinner (Bolsover) (Lab): The previous Tory Government closed the last 10 pits in the Derbyshire coalfield. Is the Minister going to tell me now that the prospect of two schools at Tibshelf and Shirebrook in that deprived ex-coal mining area has been stopped as well?

Michael Gove: The hon. Gentleman will be aware that some schools in his local authority area have reached financial close, and those that have reached financial close, including Shirebrook, are unaffected.

Sir Alan Beith (Berwick-upon-Tweed) (LD): Is the Secretary of State aware—*[Interruption.]*

Mr Speaker: Order. I do apologise for interrupting the right hon. Gentleman, but I am hearing from a sedentary position, "Point of order". May I say gently to the House that points of order follow statements? I have an almost insatiable appetite for hearing—*[Interruption.]* Order. I have an almost insatiable appetite for hearing and responding to points of order, but everything in its time. The House will want to hear Sir Alan Beith.

Sir Alan Beith: Does the Secretary of State realise that the arbitrary rules of Labour's Building Schools for the Future programme excluded schools in desperate need of replacement in counties such as Northumberland? Will the mechanism that he proposes to use allow for some of those urgent cases to be considered?

Michael Gove: I am very conscious that Building Schools for the Future was constructed, as I have pointed out, in an absurdly bureaucratic way and often meant that schools in real need, such as The Duchess's community high school in Alnwick, did not receive the funding that quite properly the right hon. Gentleman has argued for. It is hoped that our review will concentrate on ensuring that all schools in need receive the funding that they deserve.

Mr Ivan Lewis (Bury South) (Lab): Three years ago, within weeks of a Tory-Lib Dem council being elected in Bury, a state-of-the-art school for the most disadvantaged community in my constituency was scrapped. Within weeks of a Tory-Lib Dem coalition Government having been formed in this country, the same school has been denied hope as a consequence of Building Schools for the Future funding being cancelled. Why has the Secretary of State not responded to my request for a meeting of five weeks ago, so that he might hear for himself from representatives of that disadvantaged community about why, if it is to have a future, it desperately needs a state-of-the-art school?

Michael Gove: I am grateful to the right hon. Gentleman for his point; I know that he is a passionate supporter of improving educational standards in his area. I shall be delighted to meet him, and I understand that the school that he mentions is under review. I shall come back to him.

Michael Fallon (Sevenoaks) (Con): Does my right hon. Friend agree that now there should be an inquiry into the abuse of the end-of-year flexibility rules by previous Ministers, under which so much false hope was extended on the basis of commitments that were not properly funded?

Michael Gove: My hon. Friend makes an excellent point. In the past three years the dramatic rise in the Department for Children, Schools and Families' reliance on end-of-year flexibility has been striking. In effect, the Department was relying on underspends throughout the Government to sustain its own programme, including the so-called September guarantee—the guarantee of school and college places for 16 to 19-year-olds. The agreement that the Department entered into with the Treasury in order to rely on underspends elsewhere is not one that we believe to be either sustainable or prudent.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Does the right hon. Gentleman agree that for more than 100 years we have had a proud tradition of democratic participation in education and an education system in every local education area? Is he today announcing, finally, the death knell of democratic educational participation in our country?

Michael Gove: I am grateful to the hon. Gentleman for the many intelligent questions that he asks, but sadly that was not up with the best of them. I am absolutely insistent that we move towards a greater degree of local participation in deciding educational priorities. That is why future capital decisions, instead of being a matter for the bureaucrats who have been responsible for making so many of the decisions in unaccountable quangos, will increasingly be a matter for local communities.

Mr John Redwood (Wokingham) (Con): What total financial savings does the Secretary of State expect for national and local government from cancelling all this unwelcome bureaucracy?

Michael Gove: At the moment we expect that there will be a significant saving of billions of pounds. I will write to my right hon. Friend about the precise sum when we have made our final decisions and determinations on the sample projects that I mentioned, which we are reviewing, and the academy projects, which we are also reviewing.

Margaret Hodge (Barking) (Lab): When the Secretary of State started his speech, he said that he wanted to make opportunity more equal. He then went on to say that in determining which schools were to get funding, he would give priority to schools where there was a financial close, to academies and to free schools. Will he please tell me why he will not give priority to the 12 projects in my constituency, many of which are designed to provide the additional places that are required because of the additional numbers of pupils coming into the borough?

Michael Gove: I respect the right hon. Lady, who is now Chairman of the Public Accounts Committee, but I fear that she may be confusing two things; that is entirely understandable given the complexity of capital funding arrangements. I think that she may be confusing Building Schools for the Future with basic need capital, which will continue to be supplied. I believe that there are four projects in her constituency, not 12, one of which is a sample project that is under discussion.

Jessica Lee (Erewash) (Con): Is my right hon. Friend the Secretary of State as appalled as I am to learn that consultants extracted £60 million-worth of fees from local authorities—enough to build three new schools—under the Building Schools for the Future programme? That is yet another example of the previous Labour Government throwing money around like confetti.

Michael Gove: My hon. Friend makes an impeccable point. The fact that so much money was spent—I would argue wasted—on consultancy rather than on going to the front line marks one of the greatest deficiencies in the way in which the Building Schools for the Future programme was managed.

Jack Dromey (Birmingham, Erdington) (Lab): Does the Secretary of State accept that, to use his words, the truly appalling legacy was the legacy that was left to a Labour Government in 1997—that of schools throughout Birmingham with leaking roofs and kids getting taught in corridors? Does he also accept that today's announcement will be a bitter blow for Birmingham, leaving 50 schools in limbo; a bitter blow for the children of Birmingham, who deserve new schools to get the best possible start in life; and a bitter blow for Birmingham's construction workers, many more of whom will end up on the dole as a consequence of the Secretary of State's announcement?

Michael Gove: I am grateful to the hon. Gentleman for his question. I appreciate his disappointment and the passion with which he puts his case. As regards the impact on the private sector, as I pointed out earlier, under the projections for reductions in capital spending made by the right hon. Member for Edinburgh South West, capital spending overall would have been reduced by 50%; we are operating within that capital envelope.

On the hon. Gentleman's broader point about the legacy that the Labour Government inherited in 1997, that legacy was a healthy economy, growing fast, and an opportunity to make investment not just in schools but in hospitals. It is a pity that the Building Schools for the Future programme was so bureaucratic that in the 13 years that the Labour Government had, only 96 new schools were built.

Simon Wright (Norwich South) (LD): I welcome my right hon. Friend's announcement on doubling the number of recruits into Teach First. What other plans does he have to increase the number of great teachers in our schools?

Michael Gove: I am grateful to my hon. Friend for his question. One of the things that I am most determined to do is reform the way in which teachers are trained by ensuring that we improve and increase employment-based and school-based initial teacher training. That will mean that more great teachers can be trained in the classroom, learn their craft from existing great teachers and continue to improve the quality of education that young people receive.

Glenda Jackson (Hampstead and Kilburn) (Lab): What was markedly missing from the Secretary of State's quite shameful and inadequate statement was any concern for the future of all our children. My constituency is served by two local authorities, Brent and Camden. Both are facing a serious shortfall in places not only in secondary schools but in junior schools. His failure to give any information to parents, pupils, schools and my local authorities on which schools will go ahead and

[Glenda Jackson]

which will not, and on what funding will be available to provide additional places, was an absolute and utter disgrace.

Michael Gove: I know how passionately the hon. Lady fights for her constituents. She mentions junior schools; she will be aware that junior and primary schools are not covered by the BSF programme, and today's announcement does not affect the primary capital programme.

As far as secondary schools go, the hon. Lady will know that her principal local authority, Camden, has reached the close of dialogue but not yet financial close. As a result, she will know that there are two sample projects in her local authority area, and they fall under—*[Interruption.]* I am sure that she will know the schools in her own constituency that are sample projects.

Glenda Jackson: You've got the list, we haven't.

Michael Gove: If the hon. Lady does not know the schools, I regret that, but they are of course the UCL Camden academy and Swiss Cottage special school. Those are the two sample projects in her constituency.

Mr Rob Wilson (Reading East) (Con): While money has, in many cases, been squandered on consultants, pre-procurement processes and wasteful bureaucracy, my constituency has not had a single school built through the Building Schools for the Future programme. Does the Secretary of State agree that it is outrageous that fewer than 200 schools have been built while billions of pounds have been spent?

Michael Gove: My hon. Friend makes a very good point, and the fact that the disadvantaged students of Reading have not received the benefit that they should have done under the school-building programme is one of my concerns, absolutely.

Liz Kendall (Leicester West) (Lab): The Secretary of State said that he would look sympathetically on the need for building work to go ahead where the use of existing buildings would cause educational problems and where there was other pressing need such as a rise in pupil numbers because of demographic growth, both of which are issues in my constituency. Will he confirm that that applies to schools that are currently part of BSF but are not academies and do not intend to become free schools?

Michael Gove: Absolutely, and because Leicester council has reached financial close, I can say that all the schools in the hon. Lady's area that are part of Building Schools for the Future will go ahead.

Annette Brooke (Mid Dorset and North Poole) (LD): I share my right hon. Friend's concern about the wastage of resources, but I am obviously concerned about schools in my constituency, particularly a special school, Montacute school. Can he assure me that special schools will be given every consideration in the review?

Michael Gove: Yes.

Gloria De Piero (Ashfield) (Lab): Sutton Centre community college in my constituency is in the process of gaining academy status. In order to get that status, it was guaranteed a new building because the college is in urgent need of repair. The Secretary of State says that he wants more academies and wants to help pupils in deprived areas. Will those two principles mean that the new building for Sutton Centre can go ahead?

Michael Gove: If Sutton Centre has either signed a funding agreement or has academy status in the pipeline, it will be one of the projects that is reviewed. I hope to talk to the hon. Lady to ensure that its progress towards academy status is encouraged if it is proceeding properly, but I do not know the specifics of that particular school's case.

Charlie Elphicke (Dover) (Con): Will the Secretary of State consider fast-tracking academy status for outstanding schools that were hoping to benefit from the BSF programme? I particularly mention the case of Castle community college in Deal, which, seeing the writing on the wall, is now seeking to be an academy. It is an outstanding school, and I hope that the Secretary of State will give it full consideration.

Michael Gove: I welcome that application from what I know is an outstanding school, and I will do everything possible to ensure that if the headmaster and governing body want to take advantage of academy freedoms, they can do so. With that, there is no additional preferential or other capital spending commitment that I can make. I can, however, reassure my hon. Friend that the Duke of York's royal military school in his constituency, which is moving towards academy status—in fact, I think it enjoys that status now—and which required extra accommodation for the children of service people, is one of the academy projects that I am most anxious to see go forward.

Keith Vaz (Leicester East) (Lab): I am afraid that I do not know the difference between the close of dialogue and financial closure, and the local authority does not ring me up and tell me when they happen. Will the Secretary of State confirm that all nine schools in the BSF programme in Leicester East will remain in it? If there are any financial penalties as a result of what the Secretary of State has said today, will the Government reimburse local authorities that signed contracts in good faith?

Michael Gove: I am afraid that local authorities entered this process under the previous Government and the responsibility lies there. The right hon. Gentleman mentioned the difference between close of dialogue and financial close, and I agree that the process can be confusing. It is precisely because the Building Schools for the Future programme was so confusing that we needed to simplify it. As I pointed out to the hon. Member for Leicester West (Liz Kendall), Leicester is a local authority that has reached financial close, so the projects that were slated to go ahead in the right hon. Gentleman's constituency should go ahead.

Ben Gummer (Ipswich) (Con): Following the point made by my hon. Friend the Member for Reading East (Mr Wilson), I should say that the people of Suffolk

had the temerity not to return a suitable number of Conservative Members of Parliament in previous elections and therefore were right at the back of the queue for Building Schools for the Future. They were kept waiting under this inadequate system. Can the Secretary of State confirm when the people of Chantry high school and Stoke high school, who have been kept waiting for many years, might expect some sort of investment? I am thinking also of Holywells school, which is part of the national challenge scheme.

Michael Gove: I am disappointed that Ipswich has had to wait so long as a result of that. I am afraid that schools in that local authority area did not reach financial close. There is an academy in my hon. Friend's constituency that will form part of our review programme. I am afraid that today's announcement means that, sadly, Building Schools for the Future investment will not go ahead for Chantry high school.

Mary Creagh (Wakefield) (Lab): Wakefield City high school serves pupils on the Eastmoor estate, one of the most disadvantaged in the country, yet it is one of the top six schools in the country for gross value added. Can the Secretary of State tell us how that school will be served following his triple whammy of cutting the extension of free school meals, cutting local council funding for both capital and programmes for disadvantaged pupils, and today's cutting of the Building Schools for the Future budget? How does that assist his avowed aim of helping the education of the poorest children in the country?

Michael Gove: I am sorry that the position we inherited meant that the capital investment for which the hon. Lady quite properly argues in her constituency could not be delivered. She should bring up the issue with her parliamentary neighbour the right hon. Member for Morley and Outwood (Ed Balls) and with the right hon. Member for Edinburgh South West (Mr Darling), who were responsible for taking us into the dreadful economic situation that necessitated today's unavoidable announcement.

Robert Halfon (Harlow) (Con): Is the Secretary of State aware that Building Schools for the Future spent £20 million on building a school in Essex and that, sadly, Essex county council was forced to close it down six years later? Is he also aware that the BBC quoted a local authority IT officer who said

"lots of money has been spent and nobody seems to know where it's gone"?

Michael Gove: My hon. Friend makes a very good point. I have lost count of the number of people in the educational world who have made it clear to me that the Building Schools for the Future programme was not managed as it should have been if it was to guarantee the best possible investment of taxpayers' money.

Michael Dugher (Barnsley East) (Lab): Does the Secretary of State understand the huge levels of concern and anxiety in my constituency and throughout the rest of Barnsley because of his announcement today? He has had a bit of a shocker at the Dispatch Box, so I will try to be helpful. If he has a list affecting my constituents, or others in Barnsley or elsewhere, why does he not put it before the House now?

Michael Gove: I am sure the hon. Gentleman will be aware that his local authority in Barnsley has reached financial close, and for that reason the schools will go forward unaffected. I will write personally to every Member to make it clear to them exactly what is happening in their own constituency. I shall also, of course, be writing to every local authority. I appreciate how seriously Members take this issue, so I presume that most Members will know whether their local authorities were in financial close or at close of dialogue.

Tessa Munt (Wells) (LD): Will my right hon. Friend please tell me how many primary schools will gain a Teach First teacher? Also, how many such teachers will go to middle schools, of which there are two in my constituency?

Michael Gove: More than 300 Teach First teachers will be going into primary schools, and Teach First will be expanding for the first time into every part of the United Kingdom. Hitherto, it has not operated in the south-west of England, but now it will. The Teach First model has concentrated mainly on major cities, but we are consulting Teach First on precisely how it can expand into areas such as the south-west.

Barry Gardiner (Brent North) (Lab): Will the Secretary of State confirm that the excellent BSF applications from the previously Lib Dem-Tory council in Brent, which were supported at the time by the Minister of State, Department for Education, the hon. Member for Brent Central (Sarah Teather), will be subject to the freeze? Could that be why the Minister refused to debate those issues with me at the Brent teachers association last week, and why she looks so bloody miserable today?

Mr Speaker: Order. My tender sensibilities have been gravely affected, but I am more concerned about people in the country, particularly young people. Will the hon. Gentleman please withdraw that unseemly term?

Barry Gardiner: Mr Speaker, I withdraw the unseemly term and replace it with "miserable".

Michael Gove: My hon. Friend the Minister enjoys debating with the hon. Gentleman at every available opportunity. He will be delighted to know that we want to ensure that the academy that is being opened by ARK in his constituency goes ahead. We also want to ensure that in future, we look to guarantee that future capital spending that might affect his constituency goes to those pupils and schools in greatest need, including primary schools.

Paul Maynard (Blackpool North and Cleveleys) (Con): The Secretary of State specifies 14 cases in which he will reconsider so-called sample projects. Can he explain what criteria and aspects he will consider when looking at those so-called sample projects, and what will most guide his decision making with regard to them?

Michael Gove: I want to be sure that the legal and contractual position is secure for those sample projects, and also look at the arguments that have been made specifically to them. There are sample projects in Blackpool

[Michael Gove]

that we will want to review. I know that my hon. Friend, as a passionate fighter for education in his constituency and more broadly, will want to ensure that effective representations are made on behalf of his constituents, and I look forward to receiving them.

Malcolm Wicks (Croydon North) (Lab): How many school building projects have been frozen as a result of the coalition Government's announcement, and how many of our children are affected by that coalition freeze?

Michael Gove: Of the existing stock of BSF projects in the pipeline, which is broadly just over 1,400, about half have been frozen, and about half will go ahead.

Craig Whittaker (Calder Valley) (Con): Will my right hon. Friend confirm that schools such as Todmorden and Calder high schools in my constituency, whose fabric is incredibly poor but which do not currently meet BSF low attainment and deprivation criteria, will be considered in the review?

Michael Gove: I know that my hon. Friend, as a lead member for children's services in his local authority area, has been a dedicated fighter for improved investment in school fabric, and how disappointing the current BSF process has been for him. I will certainly do everything I can to seek, in the course of the review, to prioritise investment in schools whose fabric has, over the years, become so dilapidated that we need desperately to do something.

Valerie Vaz (Walsall South) (Lab): The Secretary of State clearly has a list, so could he please stop teasing us and let me know whether the Joseph Leckie school in my constituency is on it?

Michael Gove: Again, I am grateful to the hon. Lady for her question. It would undoubtedly be helpful if she could tell me whether her local authority is in financial close or in close of dialogue. My understanding is that Walsall has not reached financial close, but I believe that her constituency benefits from an academy project.

Nadhim Zahawi (Stratford-on-Avon) (Con): The court of public opinion will judge the shambolic way in which the BSF programme was administered by the previous Government. Does my right hon. Friend have an estimate of the number of teaching hours that were wasted by teachers and schools devoting time to the BSF programme?

Michael Gove: We know that thousands of teaching hours were devoted to it. In many cases, deputy and assistant head teachers had to take time out of school—often for as many as two or three days a week—in order to take part in the procurement process. Time that could have been spent on teaching and learning was instead spent entangled in bureaucracy.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): On Friday I had a meeting with the head teachers and chairs of governors of the six schools in my constituency that were expecting to be rebuilt or refurbished later this year under wave 6 of BSF. None of those six schools was a sample school, and none of them was at financial close, but all of them had proceeded on the basis that this vital investment would be forthcoming. Why does the Secretary of State think that it is okay for some students in my constituency to learn in portakabins?

Michael Gove: I do not believe that temporary accommodation is right for any student if we can do better. The problem that we have is that we inherited a financial situation and the money simply is not there. As the hon. Lady knows, her local authority was a participant in an earlier wave of BSF. There are some schools in Liverpool that have benefited from that earlier wave, but a later wave has not reached financial close and so, regrettably, the investment cannot go into those schools. That is a direct consequence of the economic mess that we inherited from the last Government—and she stood in their support in the election.

Gordon Birtwistle (Burnley) (LD): Is my right hon. Friend considering using the staggeringly expensive PFI funding, on which present arrangements are based, when considering future capital spending on education?

Michael Gove: Like me, the hon. Gentleman is sceptical about the way in which PFI operates. One of the problems with the BSF projects is the way in which the PFI programme was managed.

Simon Danczuk (Rochdale) (Lab): What does the Secretary of State's decision mean for school buildings in Rochdale?

Michael Gove: Again, if the hon. Gentleman can let me know whether his financial authority has reached financial close, I will be able to tell him. I will write to him, and a full list of schools is being put in the Library. In Rochdale, I think that all the schools will go ahead.

Several hon. Members *rose—*

Mr Speaker: Order. Questions with the brevity demonstrated by the hon. Member for Rochdale (Simon Danczuk) are an inspiration that others might seek to follow.

Matthew Hancock (West Suffolk) (Con): My right hon. Friend will be aware of the hard work that the many inspirational teachers in West Suffolk do to wade through some of the bureaucracy with which they have to deal. Does he agree that it is irresponsible to raise hopes of new schools when no sustainable funding is available?

Michael Gove: I entirely agree. It is irresponsible, cynical and poor politics. It was one of the terrible things about the last Government that they raised hopes before the last election knowing that they would not be able to honour them.

Robert Flello (Stoke-on-Trent South) (Lab): The Secretary of State will know that I asked him in education questions a few weeks ago about Stoke-on-Trent. My city was in the unique circumstances of being in phase 1 of the process. He said that he would look at the position sympathetically, so can he now give the people of the area, who are anxiously awaiting this decision, a positive answer?

Michael Gove: I appreciate the hon. Gentleman's commitment to his constituents. He will be aware that the situation in Stoke-on-Trent is one of the worst examples of the way in which the bureaucracy associated with BSF has delayed necessary investment in rebuilding the school estate. Stoke-on-Trent is one of those local authorities that has reached financial close, so therefore school rebuilding will go ahead—and I hope that it will do so more quickly and efficiently.

Nick Boles (Grantham and Stamford) (Con): Does my right hon. Friend agree that it is curious that Labour Members seem so obsessed with state-of-the-art buildings and so uninterested in the quality of teaching in schools? Will he confirm that our Government will have different priorities?

Michael Gove: My hon. Friend makes a very good point. It was interesting that the shadow Secretary of State was so contemptuous of the investment in Teach First: it was very revealing of his priorities.

Mr Chuka Umunna (Streatham) (Lab): We are in the absurd position of constantly having to ask the Secretary of State to read from his list. I know precisely which schools in my area have not reached financial close, but I do not know if they have got to the close of dialogue stage. Those three schools are La Retraite, Dunraven and Bishop Thomas Grant. Can he tell me from his list whether they will go ahead?

Michael Gove: Again, I hope that hon. Members appreciate that the confusion that exists about whether schools have reached financial close, close of dialogue or another position is a consequence of the way in which the whole BSF project was designed. Their confusion is a direct result of the bureaucracy. Dunraven school is a sample school, and therefore falls within the group of local authority schools that we will look at. Elm Court, a special school in his constituency, has already opened under BSF. I believe that two other schools have not reached financial close, and I will confirm that in my letter to him. A full list of all schools is being placed in the Library—[Hon. Members: "When?"] It is in the Library now.

Tom Brake (Carshalton and Wallington) (LD): When the review team reports, can the Secretary of State ensure that its recommendations give priority to tackling dilapidation, so that schools such as Carshalton girls school in my constituency can get the works that they need?

Michael Gove: I appreciate my hon. Friend's determination to ensure that dilapidation forms part of the criteria for our capital review. I can confirm that we want to ensure that those schools that are in the worst state receive the most favourable treatment possible in future, given the constrained financial circumstances in which we are all operating.

Clive Efford (Eltham) (Lab): This is an absolute disgrace. The Secretary of State has a list that he is reading from. He could have stated at the outset that the list was in the Library, so that Members could have asked him about what was happening in our constituencies. Can he tell the House whether there are any phase 1 schools for which he has stopped projects and whether there are any phase 5 schools that are going ahead? We need to know what is going on in our constituencies, because we have learned nothing today that was not in the papers over the weekend.

Michael Gove: The hon. Gentleman makes the point that we need to know what is going on in our constituencies. The point that I would make is that inevitably, because of the complicated way in which Building Schools for the Future was arranged, there is confusion. However, I can say that I believe that the phase 1 projects in his constituency—I hope that he will confirm this—of Broadoak, Crown Woods, Eltham Hill and Thomas Tallis are unaffected. The academy base for Eltham Hill is under discussion, but I am afraid that in four other areas the later wave of projects has been stopped because they have not yet reached financial close.

Andrew Percy (Brigg and Goole) (Con): As somebody who completed their teacher training in a new school that did not originally have enough entrances to get the pupils in, I certainly welcome the common-sense approach to new school design. Does my right hon. Friend accept that it is not just about buildings, but about what goes on inside them, and that there are plenty of schools and authorities throughout the country that did not qualify for BSF? Can we therefore have an assurance that he will ignore the petty, party point scoring from the Opposition? Does he agree that, as we move forward, we need to divert resources to the most needy children in our local communities, and especially those who are excluded?

Michael Gove: I quite agree. My hon. Friend has consistently made it clear that the care of excluded children is one of the most important things on his mind. When it comes to future investment—for example, in pupil referral units or alternative provision—we want to ensure that we do everything possible to bear down on costs and make sure that more provision can be secured for those vulnerable children.

Caroline Flint (Don Valley) (Lab): The Secretary of State has said that we should know what the situation is in our constituencies, but by having the information in advance, we could have seen what was happening in our regions and the country generally. With hindsight, does he agree that it would have been better to provide that information before the debate, rather than during it, and that this would have been in the interests of transparency, so that we could have had a full statement and full interventions by Members from all parts of the House?

Michael Gove: I take the right hon. Lady's point, but I have made it clear that there are rules-based criteria by which we have made our judgment, based on whether schools have reached financial close. As the hon. Member for Eltham (Clive Efford) made clear earlier, not only was there speculation in the press, but it was also the case that before the general election the Minister of State, my hon. Friend the Member for Bognor Regis and Littlehampton (Mr Gibb), made it clear that it was unlikely that we would be able to proceed with those projects that had not reached financial close. Once again, I appreciate that the different stages of the Building Schools for the Future programme have led to confusion.

[Michael Gove]

However, I am sure that the right hon. Lady, like many other Members who care about their constituents, will be aware of the precise stage that projects have reached in her area and the local authority area that covers it.

Conor Burns (Bournemouth West) (Con): Will my right hon. Friend confirm that some of the projects that he has put on hold today were in a position to be signed off by the previous Government before the general election? Is it not also the case that the shadow Education Secretary knew a lot more about what would and would not be possible when he was running his Department than he seems to know now, when he is running for his party leadership?

Michael Gove: My hon. Friend is absolutely right to make the point that there was a mismatch between the commitment to rebuild or refurbish so many schools and what any member of the Labour Cabinet would have known to be the true state of the public finances.

Mr Andy Slaughter (Hammersmith) (Lab): I am assuming that all of the £210 million of BSF money for Hammersmith and Fulham is gone, including the £20 million for Phoenix high school—one of the most deprived yet improved schools in the country, and where the Secretary of State gave the address at the last presentation evening—and the £21 million for William Morris sixth form, of which I should declare I am a governor. But how are we supposed to know all that from a disgraceful statement comprising four pages of point-scoring waffle and one page that is totally unclear? The language of financial close is not the language that our local authorities have been using with us, so will the Secretary of State please not blame us or our local authorities, but instead blame his Government for not even being clear about which school projects they are cutting?

Michael Gove: I am sorry that the hon. Gentleman feels that way. I appreciate that Phoenix school in his constituency—a school that I have visited, as he rightly pointed out—is an excellent school. The language of financial close is not my language; it is the language that has been chosen for Building Schools for the Future. It was the language developed by the Government of whom he was a part and the language used by the shadow Education Secretary.

Mr David Ward (Bradford East) (LD): Is the Secretary of State disappointed to hear that when I asked why two of the three allowable phase 3 new build projects in Bradford were in schools with some of the highest levels of attainment in the district—instead of in schools serving deprived communities—I was told that raising educational attainment was not a criterion for the allocation of BSF phase 3 funds?

Michael Gove: My hon. Friend makes the very good point that the criteria that govern Building Schools for the Future were not as they should be. The capital review will be looking to ensure that when future money is allocated, a more sensitive set of criteria will form part of that process.

Alison Seabeck (Plymouth, Moor View) (Lab): Over the past five years I have seen nine new schools in my constituency improve their standards of education and behaviour. What can the right hon. Gentleman say to parents who have signed up to send their children to the two proposed academies in my constituency, on the basis that they would indeed be academies on 1 September? Can he confirm whether those projects will go ahead, or do I have to refer to the bootleg version of the list that is now doing the rounds in the Chamber?

Michael Gove: Again, I am grateful to the hon. Lady. Those two academies will form part of the group that we are reviewing, as I mentioned in my statement. It is also the case that Estover community college in her constituency is, I believe, unaffected.

Richard Fuller (Bedford) (Con): My right hon. Friend's passion for teaching is a welcome change from his predecessor's passion for bureaucracy and financial waste—waste that has cost the taxpayers in Bedford borough council £500,000 on their Building Schools for the Future proposal, with no progress at all made on building. However, as my right hon. Friend is aware, there is a complex change in Bedford, involving a transition from three-tier to two-tier education. Will he agree to have a meeting on that issue?

Michael Gove: I would be delighted to meet my hon. Friend and representatives from Bedford.

Pat Glass (North West Durham) (Lab): I have written repeatedly to the Secretary of State over the past six weeks asking him to confirm the funding for the three Durham academies, in Consett, Belmont and Stanley. I have to say that it is absolutely disgraceful for the information to come out as it has, and it has meant that Members are having to stand up in this place and individually beg for information from the Secretary of State.

Michael Gove: The hon. Lady asks about the two academies. In my statement I made it clear that Consett and Stanley academies—*[Interruption.]* I will have to write to the hon. Lady about Belmont in due course, but Consett and Stanley form part of our review.

Mr Mike Hancock (Portsmouth South) (LD): May I first congratulate my right hon. Friend on his statement today? I might add that he was far too generous about the bureaucracy, because anybody in local government or schools who has been involved would have been far more attacking than he was. Will he look especially at the two cases in my city—the Priory school and King Richard—both of which are just weeks away from financial closure? If there is a review, may I ask that it take place speedily, so that such schools can get a clear answer? That will prevent several more hundreds of thousands of pounds from being spent, by both the local authority and the bidders for the two projects concerned.

Michael Gove: I am grateful to my hon. Friend for his point. I know that the leader of Portsmouth council, Mr Gerald Vernon-Jackson, has also suffered at the hands of the bureaucracy associated with BSF, and I will look as closely as I can to try to help.

Mr Jim Cunningham (Coventry South) (Lab): Can the Secretary of State tell me what the names are of the schools that could be affected in my constituency? Ernesford Grange and Finham Park are rebuilds, while there is refurbishment at Westwood, Whitley Abbey and Blue Coat. Let me say to the Secretary of State that it is no good referring the issue to local authorities. It is his job to get briefed by his officials who are in contact with local authorities. If he cannot answer those questions, there is something wrong, because I am appalled at the way in which he has answered the questions in the House today, and I have been politics a very long time.

Michael Gove: I thought it was my duty to tell the House of Commons first about the principles that guided this. I made it clear in my statement how we decided that local authority projects that have reached financial close will go ahead and those that have not cannot. I also made it clear where the exceptions would take place and mentioned the reviews that will follow. As the hon. Gentleman will be aware, Coventry South is not part of a local authority that has reached financial close, so the projects there will be stopped.

Gavin Barwell (Croydon Central) (Con): My right hon. Friend is right to focus on teaching standards and value for money, but does he accept that there are some local authorities that have received hundreds of millions of pounds of public money, while others such as my own have received nothing? Will the review look to address that unfairness and, in particular, will he look at the case of the Quest academy, which takes over from Selsdon high school in September—a very dilapidated building that needs major refurbishment?

Michael Gove: I take note of the school to which my hon. Friend refers, and I will look sympathetically at it.

Mr Geoffrey Robinson (Coventry North West) (Lab): Is the Secretary of State aware that it is at the very least disrespectful to Members to make a general statement without informing us about the individual cases that we have all raised with him several times both in writing and orally in the House? As far as Coventry North West is concerned, will either the President Kennedy or The Woodlands—both sample schools and both very near final closure—proceed?

Michael Gove: I have to say that I do not believe that they qualify as sample schools—I will check that information—but they have been stopped.

Christopher Pincher (Tamworth) (Con): I am grateful for the Secretary of State's statement and for his telling me that both Wilnecote and Belgrave high schools in Tamworth are applying for academy status. Does he agree that we should meet to discuss the former Labour county council's decision arbitrarily to abolish sixth forms and give them over to one single sixth form? Can we discuss how to unpick that situation?

Michael Gove: I know that my hon. Friend is very concerned about the way in which sixth form allocation has been secured in his constituency. He has already made representations on that. My Department will consider and discuss with him further exactly what we can do to help.

Tony Cunningham (Workington) (Lab): Only three weeks ago, the Prime Minister promised to do everything in his power to help and support the people of west Cumbria. Will the Secretary of State honour that commitment?

Michael Gove: I will do everything I can to help the people of west Cumbria, but I am afraid that, because financial close was not reached, the projects in his constituency will be stopped.

Angela Smith (Penistone and Stocksbridge) (Lab): During the general election, the Conservative candidate in my constituency made a public statement to the effect that schools due to be rebuilt under Building Schools for the Future would indeed get their funding and that that had been confirmed by Conservative central office. Can I take it from this that the three schools due to be rebuilt in my area will get their funding?

Michael Gove: I think that the hon. Lady falls within one of the local authorities that has reached financial close. I am sure that she will confirm that that is the case and let me know if it is not. As a result, I think that the schools will go ahead. As for any communication during the election, as I say, the Minister of State, Department for Education, my hon. Friend the Member for Bognor Regis and Littlehampton (Mr Gibb), indicated that we would find it very difficult to say yes to schools that had not reached financial close.

Roberta Blackman-Woods (City of Durham) (Lab): Does the Secretary of State agree that we need to continue to invest in the science education of our young people, who need to be equipped with the skills they need for the future? If so, will he explain why new academies sponsored by Durham university and a new science campus in my constituency are to be stopped?

Michael Gove: I sympathise with the hon. Lady. I am committed to doing everything I can to support science. I will talk to Durham university about the situation, but I am afraid that Durham was one of the local authorities that had not reached financial close.

Jane Ellison (Battersea) (Con): It is obviously important that we are discussing the issue of school buildings, but I fear that members of the public listening to the questions and answers over the past hour might have been left with the impression that first-class teaching and inspirational school leadership play no part in improving children's life chances. Would the Secretary of State like to confirm that on the Government Benches, we recognise the crucial importance of those things?

Michael Gove: My hon. Friend makes an impeccable point, and I totally agree with her.

Chi Onwurah (Newcastle upon Tyne Central) (Lab): I attended Kenton comprehensive in my constituency under the previous Conservative Government in the 1980s. We had great teachers, but we also had peeling walls, leaking roofs and prefab buildings. On Friday, I was able to attend the opening of the new Kenton school, which is a £33 million investment in the future of Newcastle's children, made under the last Labour Government. Now I know that this coalition—

Mr Speaker: Order. I apologise for having to interrupt the hon. Lady, but we simply do not have time for preambles at this point. Will she please bring herself to put a question?

Chi Onwurah: Yes, I would like to ask the Secretary of State if he will at least acknowledge that the investment of the last Labour Government will reap real rewards for Newcastle, for my school and for my city.

Michael Gove: I know that in Newcastle, schools are either open or have reached financial close. I have had the opportunity of talking to the head teacher of Kenton school, which I know is excellent and I hope to visit it in the future.

Paul Blomfield (Sheffield Central) (Lab): I regret that we have to obtain information in this way, and I would be grateful if the Secretary of State told me what reassurance I can give to King Edward VII school, which sits both in my constituency and that of the Deputy Prime Minister. As I understand it, it fits the criteria that the Secretary of State described in being a school that has not reached financial close, but on which very significant work has been undertaken in a project significantly to enhance the teaching of STEM subjects—science, technology, engineering and mathematics—which are critical not only to school students but to our economy.

Michael Gove: I believe that Sheffield is one of the local authorities that has reached financial close, so I think that the King Edward VII school is unaffected.

Mr Kevan Jones (North Durham) (Lab): The right hon. Gentleman knows that I quite like him, but may I say that the way in which he has presented his statement today has been nothing but a disgrace? In so doing, he has treated the House and individuals in it with contempt. He said in his statement that the poorest communities will not be affected, but what will be gained in Stanley in my constituency—one of the poorest areas in this country—by reviewing an academy that has the support of the local community and will put in great work to change the lives of thousands of children in the years to come?

Michael Gove: I appreciate the hon. Gentleman's kind words at the beginning. I have stressed that academy projects are those that, as we both appreciate, were designed to help children in the most difficult circumstances. If he would like to write to me, we will make sure that we do everything possible to help to support that academy project.

John Woodcock (Barrow and Furness) (Lab/Co-op): In the light of the shambolic way in which information has had to be eked out of the Secretary of State today, he will forgive me for pressing him a little further. Can he say that he will honour every penny of the previous Government's promise on the primary capital programme, including the £12.6 million to benefit three primary schools in my constituency, and the secondary enlargement programme, which, although outwith the Building Schools for the Future project, is vital to the future of education in my constituency?

Michael Gove: I can say that the Furness academy in Barrow and Furness is unaffected. The hon. Gentleman made reference to primary schools in his constituency, but nothing in today's announcement directly affects the primary capital programme or devolved capital for this year. Obviously, future capital decisions will form part of the comprehensive spending review.

Phil Wilson (Sedgefield) (Lab): Hurworth school in my constituency is an excellent school with inspirational teachers and excellent pupils as well. It was down to receive BSF money earlier this year. I want to know whether that funding will still be in place. If not, the school is already close to falling down. It has shown an interest in academy status. Does the right hon. Gentleman think it should still go ahead for that status, given that it is a broken-down school, or does he think that the 650 pupils should move into a disused shop under the free schools scheme?

Michael Gove: I am afraid that County Durham is one of the local authorities that has not reached financial close, but I would encourage all schools that believe that they can make use of academy freedoms to move down that route. We are, of course, encouraging sponsors, with whom we have been in negotiation, to do everything possible not just to transform teaching and learning, but to improve the environment in which children learn.

Austin Mitchell (Great Grimsby) (Lab): Does the Secretary of State agree that, whatever his criticisms of the Building Schools for the Future programme, some of which were justified, his announcement today will cast a pall of gloom and uncertainty over areas such as mine, which have yet to benefit from it? Does he also agree that in north-east Lincolnshire, we have particular problems in that we desperately need the new school building as a stimulus to the system and we desperately need the jobs and economic stimulus that that building will bring? It is also an area of high unemployment and under-privilege, which suffers from under-attainment in educational standards. Should not the particular needs of an area such as that be taken into account before deciding to cancel any part of our programme?

Michael Gove: I am grateful to the hon. Gentleman for his points about the defects in the Building Schools for the Future programme, which shows him being typically bipartisan and capable of rising above party divisions in order to acknowledge such flaws. I also appreciate that in his constituency a fantastic school, Havelock academy, is unaffected by today's proposal. However, I am afraid that because two schools in his constituency have not reached financial close, they will not receive the investment that he might have hoped for. I appreciate that in Great Grimsby there are problems with educational attainment, and I look forward to working with him to do everything that we can to raise attainment in that constituency.

Derek Twigg (Halton) (Lab): You are aware, Mr Speaker, that I have raised this point on two previous occasions with Government Front Benchers. My right hon. Friend the shadow Education Secretary raised it earlier and did not get an answer. The Secretary of State clearly refers in his statement to projects that have not been properly funded, and uses as an example the new school building

programme. As the shadow Education Secretary said, however, if we had announced projects that were not properly funded, he would have been asked for a letter of direction from the permanent secretary. Therefore, will the Education Secretary produce the letter of direction confirming what he has said today? Again, under this Government, Halton has been badly affected by terrible cuts—much worse than more affluent areas.

Michael Gove: I am grateful to the hon. Gentleman. My argument is that, because the shadow Education Secretary made spending promises on Building Schools for the Future at the same time as the then Chancellor of the Exchequer was making it clear that capital spending would be reduced by half, those projects were unfunded and unsustainable.

Mr Speaker: Last, but certainly not least, Mr David Anderson.

Mr David Anderson (Blaydon) (Lab): I thank my hon. Friend the Member for Gateshead (Ian Mearns) for doing the job of the Secretary of State and bringing us the documents from the Library. As a result, I now know that four schools in Blaydon will not get support. Are we not seeing the real cost of the Tory Budget? Is it not the truth that the Government are giving corporation tax cuts, introducing a very timid bank levy and doing nothing about tax evasion and avoidance, but the people paying for it are the schoolchildren of Blaydon?

Michael Gove: I am grateful to the hon. Gentleman for his point. I am afraid that Blaydon will not benefit because it falls within one of the local authorities that has not reached financial close. However, two schools in his constituency have already opened under Building Schools for the Future—*[Interruption.]* In Blaydon. I hope the pupils in those schools are benefiting. They will certainly benefit in future from the expansion into the north-east of Teach First, which will result in supremely talented teachers in secondary and primary schools who can help to raise attainment in his constituency.

Several hon. Members *rose—*

Mr Speaker: Order. Before I take points of order, let me acknowledge, without apology, that I ran both statements very long today. That is unusual, albeit, I suspect, not unprecedented, and it certainly should not be regarded as the norm or a guide to what Members can expect. I took account both of the level of interest in the two extremely important matters and of the nature of, and likely interest in, the business to follow. I think that is perhaps worth the House knowing.

Points of Order

6.13 pm

Ed Balls (Morley and Outwood) (Lab/Co-op): On a point of order, Mr Speaker. A Member of the House doing an interview with the BBC at 5.25 this afternoon was given the full list of schools in her constituency on the departmental list. It transpires that that was sent out to the media by the Department at 5.20, but at 5.45 there was still no list in the House of Commons Library. Is that not a shameful way to treat the House? How can Members respond when they are not given the information being given to the press?

Further, at 4 o'clock this afternoon, the Chief Secretary to the Treasury made a written ministerial statement in which he announced a £1 billion cut to the budget of the Department for Education—a cut that was not mentioned subsequently in the Secretary of State's statement, which was labelled a statement on school funding. How can that happen?

Further, allegations have been made in the House about financial improprieties that happened before the election. I said clearly that there had been no direction, and that everything was agreed with the Treasury. The allegations were then repeated. Can we have chapter and verse and a reply from the accounting officer at the Department before the House rises tonight, so that we can clear up the matter and find out who is telling the truth?

Mr Speaker: I am grateful to the right hon. Gentleman for his point of order. Matters of procedure, or indeed of process, are matters for me in the Chair. Matters of content of statements are not. What I can say to him, and to the House, is the following. Obviously, I have done, or have had done for me, a little bit of research in anticipation of the possibility of points of order on this matter. "Erskine May", on page 441, makes it clear that

"a document which has been cited by a Minister ought to be laid upon the Table of the House, if it can be done without injury to the public interest."

That principle does seem to apply to the list—the document, or documents, in this case. It, or they, should be available to the whole House, rather than just to individual Members when they ask or through correspondence afterwards. I think that the thrust of what I have said is clear.

We had extensive exchanges and considerable dextrousness was required from the Secretary of State for Education. He was asked a great many questions and sought to answer them. It seemed to me a pretty unwieldy process, to put it mildly, for us not to have the documents available at the appropriate time. I have noted what the right hon. Member for Morley and Outwood (Ed Balls) has said about the timing of the passing of documents to members of the media and so on, but before I pass any comment on that matter, I think it is only right to ask the Secretary of State for his comments in response to the point of order and to what I have said.

The Secretary of State for Education (Michael Gove): Further to that point of order, Mr Speaker. I am grateful to you for your direction from "Erskine May" in that regard. I wanted to ensure that we made a

[Michael Gove]

decision based on rules-based criteria, and I hope that that was clear in my statement. It was also the case that a list was placed in the Library of the House. I apologise to you, Mr Speaker, and to the House, if Members feel that the decision to place it in the Library of the House was in any way too slow and in any way impeded their capacity to ask the questions that they properly want to ask.

Several hon. Members *rose—*

Mr Speaker: Order. Before I take further points of order—I am happy to do so—let me say that I am grateful to the Secretary of State for what he has said, but there is a response to it. First, I think that laying the documents either upon the Table of the House, to coincide with the start of the statement, or in the Vote Office, would be the proper course to follow in these circumstances. I have put that on the record, so that he can be clear for the future. Secondly, with reference to the question of timing, I wonder whether he can confirm or refute the suggestion that a copy of the list was passed to members of the media while his statement and the exchanges on it were still in progress.

Michael Gove: I am not aware of that because I was here in the House answering questions.

Mr Speaker: In response—I do not want to have an extended exchange with the right hon. Gentleman, and I am grateful for his efforts to co-operate—*[Interruption.]* Order. If the Secretary of State says that he is not aware—he is a person of his word—I of course accept that he was not aware, but what I would say is that the Secretary of State should be aware of whether something has been passed to the media before the statement is concluded. If he is not aware, it is inevitably possible that something would be passed to the media, as it has been suggested has happened, before the statement is concluded. That would be a rank discourtesy to the House. I have known the right hon. Gentleman for 20 years, and I have always known him to be a person of the utmost courtesy, but it is fair to say that there has been something of a breach of courtesy today.

Ed Balls: Further to that point of order, Mr Speaker. On your ruling, I told the House five minutes ago that the list was circulated to the press at 5.20. Either the Secretary of State for Education doubts my word, or he should apologise to the House for the list being sent to the media 25 to 30 minutes before it was placed in the Library of the House. Can we also have answers to the question on the allegations about my impropriety? Will he provide a reply with evidence about these allegations of financial impropriety from the accounting officer and the permanent secretary of the Department before the House rises tonight?

Mr Speaker: The shadow Secretary of State has now twice, very clearly, made his point about the timing of the release of the documents to non-Members of Parliament. The Secretary of State has offered a form of apology; whether he wishes to add to that is a matter for him.

As for the other important matter raised by the shadow Secretary of State, namely what he regards as a slur on his good name, I must tell him that, procedurally, it is not a matter for me. It is a matter of debate, and I have a feeling that it will be the subject of continued exchanges between the two titans for some time to come.

Clive Efford (Eltham) (Lab): On a point of order, Mr Speaker. I hope you will agree that the House is being treated with contempt this afternoon. One copy of that list was finally put in the Library, and those who were queuing to try to obtain it were unable to return to the Chamber before the end of the statement. That is a complete and utter disgrace. Will you try to find out when it was decided to put the copy of the list in the Library? It is highly suspicious that the Secretary of State did not make clear in his statement that a copy was in the Library; we forced it out of him that it had been done while he was making the statement. Will you also find out, Mr. Speaker, when the copy actually went into the Library? It is impossible for us to question the Secretary of State on what is going on in our constituencies unless we have the details.

Finally, Mr. Speaker, I hope that you will compare the statement with the list that was in the press over the weekend, because the substance of the statement was what was in that list. We heard nothing from the Secretary of State in the House today that had not been in the newspapers over the weekend.

Mr Speaker: The first point that I will make to the hon. Gentleman is this. I think I have already made clear—but let me underline the point—that it is not sufficient simply to provide the Library with a copy of a document. If the document appertains to a matter that is currently before the House, in order to aid and abet Members in their scrutiny duties, copies of that relevant document should be available in the Vote Office, on the Table of the House, or, better still, both.

Secondly, let me say to the hon. Gentleman that we cannot have a continued exchange on every point of detail now. I have, I think, made clear that, whether inadvertently or not—I leave others to judge—the House has been unfairly and discourteously treated. I have made that point extremely robustly, and I do not think that I need add to it at this stage.

As for what the hon. Gentleman said about what was in the media, I am happy to undertake my own reading at an appropriate time. I suggest to the Secretary of State, who is listening to these exchanges—*[Interruption.]* The Secretary of State may wish to add to whatever apology he has already uttered, but I suggest to him that it would be helpful if he would look into the matter of timing of release of documents by his Department and report back to me, because it is clearly a matter of interest to Members of the House.

Chris Bryant (Rhondda) (Lab): On a point of order, Mr Speaker. I hear what you say about the papers and the sort of apology that we have already had from the Secretary of State, but much of this information was in the media throughout the weekend. Moreover, in a statement earlier this afternoon the Deputy Prime Minister told us that he wanted to come to the House before consulting the Welsh Assembly or the Scottish Parliament,

but the date of the referendum on the alternative vote was in all the media last Friday. In fact, it started to appear in the media almost the moment Parliament finished sitting last week. I have a suspicion that the Deputy Prime Minister himself spoke to journalists for precisely that purpose.

I see that the Leader of the House is in the Chamber. I wonder whether you, Mr Speaker, could consult him and the shadow Leader of the House to consider ways of ensuring an end to the practice of briefing the media before coming to the House. Some of us had hoped that when there was a hung Parliament, the House would take more authority than the Government.

Mr Speaker: As I have just been reminded, I have opined on this matter on many occasions, and I may have cause to do so again in the future.

Let me briefly say two things to the hon. Gentleman. First, the appearance in the media of a date for a referendum was the subject of media speculation at the time. There is a limited number of dates that might be considered, and I do not put that in quite the same category as the disclosure of the detailed contents of a statement. Secondly, although I have listened very carefully to the hon. Gentleman—who never raises points of order lightly, and is always very well briefed when he does so—I think it fair to say that one cannot simply act on suspicion. The hon. Gentleman said a moment ago that he suspected that the Deputy Prime Minister had passed material to the media. I must rest content with what I know to be true. The hon. Gentleman has made his point, it is fairly on the record, and I will keep a beady eye on these matters—not merely on a weekly or monthly basis but, as I think he will know, on a daily basis.

Derek Twigg (Halton) (Lab): On a point of order, Mr Speaker. I am sure it will not have escaped your notice that this is the third apology that we have heard in less than a week, and that two of those apologies have come from Secretaries of State. That must be some sort of record.

Hundreds and hundreds of schools and constituencies have been affected by today's announcement. It is extremely important. The Secretary of State said that this project had not been properly funded. It is a matter of fact that, if it had not been properly funded, the permanent secretary would have asked the then Secretary of State to provide a letter of direction. Can we not ensure that the Secretary of State returns to the House by 10 o'clock tonight to make a statement on that very issue?

Mr Speaker: I know that my response to his point of order will disappoint the hon. Gentleman, but I must tell him that the nature and quality of statements are for both the Minister concerned and others to assess. They are not, in this instance, a matter of order. There is a genuine dispute, and it is a dispute about which the hon. Gentleman feels passionately. He is entitled to do so, he has put his point on the record very clearly, and I have a feeling that he will share it more widely with those who have recently re-elected him.

Mr Andy Slaughter (Hammersmith) (Lab): On a point of order, Mr Speaker. Will you require the Secretary of State to come back tomorrow and make a proper statement on this matter? I asked about spending in my constituency, and the Secretary of State did not answer the question. I am grateful to my hon. Friend the Member for Gateshead (Ian Mearns), who has now given me the answer—all 13 projects have been stopped—but I should not have to ask such questions; I should be given the information here. There was plenty of time for that during the extended session on the statement.

As you will see if you look at the statement, Mr. Speaker, the first four pages are about what the last Labour Government did. It is point-scoring waffle. There was plenty of time for the information to be given, and if it had been given, we could have asked questions based on it. Will you ask the Secretary of State to come and make a correct statement on the matter?

Mr Speaker: I have been very explicit about the parts of the handling of this matter that I regard as unsatisfactory. What we cannot do—or it would not, in my judgment, be a proper use of the time of the House later in the week for us to do it—is rerun the statement.

The hon. Gentleman is a man of great ingenuity and indefatigability, and I feel sure that he will find ways in which to highlight his concerns—if not tomorrow, later in the week or on other occasions. I feel sure that as soon as he leaves the Chamber, he will be dedicating his grey cells to precisely that pursuit.

John Hemming (Birmingham, Yardley) (LD): On a point of order, Mr Speaker. I dread producing a few facts to cover the Labour party's synthetic anger, but when I heard that the list of schools was in the Library, I thought it would be useful to go and get a copy. It does raise a complex point of order. We have had a relatively long session on a statement about an important issue. At what time should documents be put in the Library? We should bear it in mind that as soon as they are in the Library they are in the public domain, and can be handed to the media. These documents went to the Library at 17.52. Should documents go to the Library and be available generally at the start of the statement, or at the end of it? That is an important point of order.

Mr Speaker: Let me say first to the hon. Gentleman that his points of order are always important, and that this was no exception. Secondly, let me say to him that I thought I had made this point clear, but if I failed to do, I apologise to the House. My very strong view is that relevant documents should be available on the Table of the House or in the Vote Office, or both, at the start—I repeat, at the start—of a statement, to make it easier for Members to conduct their duty of scrutiny. I hope that that is helpful to the hon. Gentleman and the House.

Mary Creagh (Wakefield) (Lab): Further to the point of order made by my hon. Friend the Member for Hammersmith (Mr Slaughter), Mr Speaker. Today there was a written statement of the additional £1 billion of cuts in the education capital spending budget, which will further affect hundreds if not thousands of schools that may have already engaged builders to carry out the work. Can we not be given extra time tomorrow in which to question the Secretary of State on this matter, and to drill into the detail of not just the £1 billion that we have lost today, but the extra £1 billion that was snuck out when we were all sitting in the Chamber?

Mr Speaker: The frustration of the hon. Lady is overflowing like Vesuvius, and I entirely understand why that is the case, but what I would say to her, in very short order, is, "No I can't make that commitment." She has very eloquently put her concerns on the record, but the reason why I cannot make that commitment is that the manner in which Government make a statement, whether it is written or oral, is a matter for the Government. I understand what the hon. Lady says, and the Secretary of State will have heard it, but it seems to me to be in a different category from the other matters of which we have treated in these points of order exchanges.

If there are no further points of order—if the appetite has been exhausted—we can move to the presentation of Bills. Before we move on, however, may I thank the Secretary of State, the shadow Secretary of State and all Members who took part in what were admittedly somewhat heated exchanges? These are very important issues and they have been fully aired.

BILLS PRESENTED

Employment Opportunities Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Mr Mark Field, Adam Afriyie, Mr Douglas Carswell and Mr David Nuttall, presented a Bill to introduce more freedom, flexibility and opportunity for those seeking employment in the public and private sectors; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 17 June, and to be printed (Bill 24).

Drugs (Roadside Testing) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Philip Davies, Mr Greg Knight, Mr Philip Hollobone, Mark Pritchard and Mr David Nuttall, presented a Bill to make provision for roadside testing for illegal drugs; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 10 June, and to be printed (Bill 25).

United Kingdom (Parliamentary Sovereignty) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Mr William Cash, Philip Davies, Mr Douglas Carswell, Mark Pritchard, Mr Philip Hollobone, Mr Brian Binley, Jacob Rees-Mogg, Mr David Nuttall and Mr John Whittingdale, presented a Bill to reaffirm the sovereignty of the United Kingdom Parliament; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 18 March, and to be printed (Bill 26).

Broadcasting (Public Service Content) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Philip Davies, Mr Mark Field, Mark Pritchard, Mr Philip Hollobone, Mr David Nuttall and Mr Douglas Carswell, presented a Bill to define public service content for the purposes of public service broadcasting.

Bill read the First time; to be read a Second time on Friday 1 April, and to be printed (Bill 27).

Training Wage Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Mr Robert Walter, Mr Douglas Carswell, Mr Brian Binley and Mr David Nuttall, presented a Bill to make provision that persons receiving a training wage are exempt from legislation relating to the minimum wage; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 18 March, and to be printed (Bill 28).

Minimum Wage (Amendment) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Mr Mark Field, Mr David Nuttall and Mr Douglas Carswell, presented a Bill to enable the national minimum wage to be varied to reflect local labour market conditions; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 4 March, and to be printed (Bill 29).

Referendums Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Philip Davies, Mr Mark Field, Mr Philip Hollobone, Mr Douglas Carswell, Mr David Nuttall and Geoffrey Clifton-Brown, presented a Bill to provide for minimum turn-out thresholds for referendums; to impose restrictions on holding elections and referendums on the same day; to facilitate combined referendums on different issues; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 18 March, and to be printed (Bill 30).

Tribunals (maximum Compensation Awards) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Philip Davies, Mr Mark Field, Mr Brian Binley and Mr David Nuttall, presented a Bill to enable maximum limits to be established for compensation in tribunal awards for cases involving unlawful discrimination; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 17 June, and to be printed (Bill 31).

Public Bodies (Disposal of Assets) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Philip Davies, Mr Douglas Carswell and Mr David Nuttall, presented a Bill to make provision to require certain public bodies to dispose of unused or under-used assets by public auctions; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 17 June, and to be printed (Bill 32).

Regulatory Authorities (level of Charges) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Peter Bone, Philip Davies, Mr Robert Walter, Mr Douglas Carswell and Mr David Nuttall, presented a Bill to provide for controls on the powers of certain regulatory authorities to impose charges for their services; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 13 May, and to be printed (Bill 33).

National Park Authorities Bill

Presentation and First Reading (Standing Order No. 57)

Mr Christopher Chope, supported by Mr Desmond Swayne, Dr Julian Lewis, Mr Mark Field and Mr Peter Bone, presented a Bill to empower the Secretary of State to abolish National Park Authorities; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 1 April, and to be printed (Bill 34).

Mr Speaker: The hon. Gentleman has a lot of reading to do, and we look forward to the results of that.

European Union (Audit of Benefits and Costs of UK Membership) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to require the Secretary of State to commission an independent audit of the economic costs and benefits of the United Kingdom's membership of the European Union; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 10 June, and to be printed (Bill 35).

Residential Roads (Adoption by Local Authorities) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to require the handover of residential roads built by developers to local highways authorities within certain time periods; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 18 March, and to be printed (Bill 36).

National Service Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to provide a system of national service for young persons; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 4 March, and to be printed (Bill 37).

Young Offenders (Parental responsibility) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to make provision for a mechanism to hold individuals to account for any criminal sanctions imposed upon young people for whom those individuals hold parental responsibility; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 17 June, and to be printed (Bill 38).

Return of Asylum Seekers (Applications from Certain Countries) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to provide for the immediate return of asylum seekers to countries designated as safe; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 3 December, and to be printed (Bill 39).

Apprehension of Burglars Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to provide immunity from prosecution or civil action for persons who apprehend or attempt to apprehend burglars; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 4 February, and to be printed (Bill 40).

Taxation Freedom Day Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to provide for an annual Taxation Freedom Day to reflect the proportion of tax paid by individuals from their income; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 1 April, and to be printed (Bill 41).

European Communities Act 1972 (Repeal) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to repeal the European Communities Act 1972 and related legislation; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 1 April, and to be printed (Bill 42).

Rights Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to set out certain principles in a United Kingdom Bill of Rights; to repeal the Human Rights Act 1998; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 13 May, and to be printed (Bill 43).

Sentencing (Reform) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Philip Hollobone presented a Bill to reform sentencing provision to ensure that the length of a custodial sentence reflects the sentence of a court; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 11 February, and to be printed (Bill 44)

Mr Speaker: We look forward to the product of the hon. Gentleman burning the midnight oil.

European Union Membership (Referendum) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mr Philip Hollobone, Mr Christopher Chope, Mr Douglas Carswell, Mr Nigel Dodds, Mark Reckless, Philip Davies and Mr David Nuttall, presented a Bill to require the holding of a referendum on whether the United Kingdom should remain a member of the European Union; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 4 March, and to be printed (Bill 45).

Broadcasting (Television Licence Fee Abolition) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mr Philip Hollobone, Mark Pritchard, Mr Christopher Chope, Mr Douglas Carswell, Mr Nigel Dodds, Mark Reckless, Mr Brian Binley, Philip Davies and Mr David Nuttall, presented a Bill to make provision for the abolition of the television licence fee; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 13 May, and to be printed (Bill 46).

Elector Registration Bill

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mr Philip Hollobone, Mark Pritchard, Mr Christopher Chope, Mr Douglas Carswell, Mr Nigel Dodds, Mark Reckless, Mr Brian Binley, Mr William Cash, Philip Davies and Mr David Nuttall, presented a Bill to require each elector applying to register to vote to certify their entitlement to vote; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 4 March, and to be printed (Bill 47).

Electoral Law (Amendment) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mr Philip Hollobone, Mark Pritchard, Mr Christopher Chope, Mr Douglas Carswell, Mr Nigel Dodds, Mark Reckless, Mr Brian Binley, Mr William Cash, Philip Davies and Mr David Nuttall, presented a Bill to enable electors in the precincts of a polling station before the time designated for the closing of the poll to vote; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 22 October, and to be printed (Bill 48).

Human Trafficking (Border Control) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mr Philip Hollobone, Mark Pritchard, Mr Christopher Chope, Mr Douglas Carswell, Mr Nigel Dodds, Mark Reckless, Mr Brian Binley, Philip Davies, Mr David Nuttall and Dr Térèse Coffey, presented a Bill to require border control officers to stop and interview potential victims of trafficking notwithstanding entitlements under European Union law to free movement of persons; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 13 May, and to be printed (Bill 49).

Medical Insurance (Tax Relief) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mark Pritchard, Mr Christopher Chope, Mr Douglas Carswell, Mr Nigel Dodds, Mr Brian Binley, Mr William Cash, Philip Davies and Mr David Nuttall, presented a Bill to provide for tax relief on medical insurance premiums.

Bill read the First time; to be read a Second time on Friday 4 February, and to be printed (Bill 50).

Snow Clearance Bill

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mr Philip Hollobone, Mark Pritchard, Mr Christopher Chope, Mr Douglas Carswell, Mr Nigel Dodds, Mark Reckless, Mr Brian Binley, Mr William Cash, Philip Davies, Mr David Nuttall and Dr Térèse Coffey, presented Bill to provide immunity from prosecution or civil action for persons who have removed or attempted to remove snow from public places; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 12 November, and to be printed (Bill 51).

Armed Forces (Leave) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mr Philip Hollobone, Mark Pritchard, Mr Christopher Chope, Mr Douglas Carswell, Mr Nigel Dodds, Mark Reckless, Mr Brian Binley, Mr William Cash, Philip Davies, Mr David Nuttall and Chris Heaton-Harris, presented Bill to provide that leave for members of the armed forces serving overseas should be calculated from the time an individual arrives back in the United Kingdom; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 19 November, and to be printed (Bill 52).

Transparent Taxation (Receipts) Bill

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mr Philip Hollobone, Mark Pritchard, Mr Christopher Chope, Mr Douglas Carswell, Mr Nigel Dodds, Mark Reckless, Mr Brian Binley, Mr William Cash, Philip Davies, Mr David Nuttall and Chris Heaton-Harris, presented a Bill to make provision for all receipts printed in the United Kingdom to contain a figure for the total amount of tax paid on the goods and services purchased.

Bill read the First time; to be read a Second time on Friday 21 January, and to be printed (Bill 53).

Alignment (Clear Line of Sight) Project

6.35 pm

The Financial Secretary to the Treasury (Mr Mark Hoban): I beg to move,

That this House approves the proposals for simplifying the Government's spending controls and financial reporting to Parliament, as set out in the paper, Alignment (Clear Line of Sight) Project, Cm 7567, of March 2009, and the response of October 2009 to the relevant report of the Liaison Committee (Second Special Report of the Liaison Committee, Session 2008-09, Financial Scrutiny: Parliamentary Control over Government Budgets: Government Response to the Committee's Second Report of Session 2008-09, HC 1074).

The motion seeks the authority of the House to implement changes to the structure and content of the Supply estimates that set out departmental spending plans and are subject to approval by the House. These changes stem from work that began under the previous Government, and which has enjoyed cross-party support throughout. The aim of the changes is to provide a simpler and more effective system of public spending control.

As hon. Members will remember, the previous Government announced in the Green Paper, "The Governance of Britain", in June 2007 that they would simplify the spending control framework and the Government's financial reporting to Parliament further to enhance consistency and transparency at all stages of the process—budgetary spending plans, parliamentary Supply estimates and expenditure outcomes in resource accounts. That will lead to the following: a simpler and more transparent system, making it easier for Parliament to understand and challenge Departments; a strengthening of the existing budgeting framework by underpinning it with parliamentary control; and the streamlining of Government spending documents, making it easier to understand what is happening with public money.

Government's and Parliament's control and scrutiny of public spending is currently managed against four different frameworks. First, there are the national accounts, an integrated set of economic accounts covering the whole of the economy. Those accounts are produced by the Office for National Statistics in accordance with the European system of accounts 1995. National accounts are used to determine fiscal performance. Secondly, there are budgets, which are defined by the Treasury and used to control public spending. Budgets are allocated by the Treasury in spending reviews and reported on to Parliament at successive pre-Budget reports and Budgets. Certain elements of budgets are aligned to national accounts definitions. Others, such as those introduced with the move to full resource accounting and budgeting in 2003-04, relate to commercial-style accounting concepts and are designed to improve value-for-money incentives in Departments.

Thirdly, there are Supply estimates, which seek annual parliamentary authority for the expenditure of individual Departments following the plans set out in spending reviews. Estimates are largely, if not entirely, aligned to generally accepted accounting practice—GAAP—accounting definitions, rather than to national accounts, although they do not encompass all of the departmental expenditure and income that would be accounted for under GAAP. There are significant differences between estimates and budgets: about a third of departmental spending in budgets is not included in estimates, and about a sixth of what is included in estimates is not in budgets. Fourthly, there are resource accounts, which report Departments' actual spending during a particular financial year, following GAAP, as adapted for the public sector. That means that there are some substantial differences compared with budgets and national accounts.

Those four frameworks have developed in different ways over the years for good reasons, since they serve different purposes. However, the result is significant misalignment between the different frameworks, with only two thirds of Government expenditure fully aligned across budgets, estimates and resource accounts.

Current misalignments can broadly be broken down into two categories. First, there are differences in the various boundaries—the entities and spending included in budgets, estimates and accounts. Those cover both different types of income and expenditure within the budgets and the different treatment of entities within respective boundaries. For example, the spending of non-departmental public bodies scores in budgets, but the grant-in-aid paid to those bodies scores in estimates and resource accounts, not their total spending. Secondly, there are differences in the policies. Specific transactions are often treated differently between the three frameworks. Examples include capital grants, provisions and other non-cash items within budgets.

At present, there are significant differences between the ways in which the three main elements of the public spending control framework define and treat expenditure. Those three elements are: departmental budgets as set by the Treasury; departmental Supply estimates as authorised by this House; and departmental resource accounts presented to this House after the year-end. To give just one of many potential examples, departmental estimates and accounts currently include only the spending of the relevant Government Department, whereas budgets also include the expenditure of any non-departmental public body for which the Department is responsible. This means that Departments have different controls against which to manage, and that it is very difficult to track spending from plans through to out-turn. That, in turn, limits the scope for effective parliamentary scrutiny and adds to the complexity of managing public money; it also requires time and effort to reconcile the frameworks.

The principal aims of the proposed changes are therefore to increase the transparency of public spending information; to improve accountability to this House and to the wider public; to make it easier for Government Departments and other public bodies to understand the controls to which they are working; and to provide a more efficient control framework that builds in the right incentives to deliver better value for money.

As I have said, the different frameworks have developed in different ways over the years, and for a range of reasons. For example, international standards have helped determine the definitions of expenditure currently applied within both accounts and budgets, with budgetary definitions being determined by Government but supporting internationally recognised fiscal definitions, and accounting policies reflecting international financial reporting standards adapted for the public sector context. Some misalignments between those frameworks will inevitably remain. What matters most is that they occur only where there is good reason, and that they are properly understood and kept to a minimum.

[Mr Mark Hoban]

Budgets and estimates will be fully aligned under the new framework. The remaining misalignments will be with resource accounts—amounting to about £22 billion—where enforcing alignment would be contrary to the principles of the alignment project. By far the largest example, amounting to £19 billion, is the treatment of capital grants paid by Departments to the private sector, local authorities and public corporations. That is because capital grants are treated as resource spending in departmental accounts, reflecting international financial reporting standards, but as capital spending in budgets, reflecting national accounts treatment. As hon. Members will recognise, this is not a straightforward area.

Nevertheless, there is much improvement that can be made while adhering to these standards, and the alignment project represents an excellent opportunity to achieve greater consistency between the different frameworks. The main changes designed to achieve the aims of alignment are the extension of the departmental estimates and accounting boundaries to accommodate non-departmental public bodies and other bodies classified to the central Government sector, bringing their expenditure within the coverage of estimates presented to Parliament for approval. The power to do that, through a Treasury Order listing the bodies to be consolidated into estimates and accounts, was provided in part 5 of the Constitutional Reform and Governance Act 2010.

It is worth spending a couple of minutes reflecting on the different nature of non-departmental public bodies, which vary enormously in size and in the functions they carry out. Consolidation will include bodies that spend very large amounts of public money, such as the Environment Agency and the Legal Services Commission, which will be consolidated within the estimate and accounts of, respectively, the Department for Environment, Food and Rural Affairs, and the Ministry of Justice. Both those bodies spend over £1 billion per annum. Some of these bodies are charities—the national museums and galleries, for example—and others have statutory independence, so it is important that we create alignment in a way that neither constrains their freedom to act nor puts their status at risk. The provisions of the 2010 Act, approved by this House earlier this year, include protection for that independence, so that we can combine operational freedom with financial accountability.

Mr Edward Leigh (Gainsborough) (Con): Does my hon. Friend recall that in 2007, the Treasury Committee acknowledged

"that the requirements of the alignment project mean that it is not possible for Parliament to maintain control over gross totals. We are concerned that without adequate levels of information regarding income, Parliament's authority may be diminished."

How can the Minister reassure Parliament that our authority over Supply will not be diminished in any way following alignment?

Mr Hoban: My hon. Friend makes an important point and I will come later to the treatment of income in the clear line of sight project, to address in particular the issue he raises.

Margaret Hodge (Barking) (Lab): May I ask a number of questions on the non-departmental bodies with which the hon. Gentleman was dealing? First, when will they be incorporated into the estimates? Secondly, how will NDPBs that get some of their grant funding from a number of Departments be dealt with in the estimates? The third, and contentious, issue is NDPBs that may have reserves of moneys raised outside of Government, and which want the freedom to spend those moneys in ways appropriate to their governing bodies.

Mr Hoban: The right hon. Lady raises some interesting points. On her first point, my understanding is that this provision will come into force for the financial year 2011-12. On her third point, we of course want to make sure that NDPBs still have the freedom to act, and we have said that they will—they will have the independence they had prior to this process. That issue was, I think, taken into account in drafting the 2010 Act, which the right hon. Lady will have supported as a member of the then Government. So those controls are in place.

Margaret Hodge: On my second point, the freedom of NDPBs to spend reserves from moneys they themselves have raised was not dealt with under the 2010 Act, which I did indeed support. As a member of the then Government, I pursued that issue and did not get to a good end. I hope that the Minister will undertake to look at it, in order to give those NDPBs their freedom.

Mr Hoban: We will look at it, but incorporating NDPBs into the clear line of sight project so that their results are reported in estimates and departmental annual accounts is something that should be done, and the principle underlying these reforms is to do it in a way that does not compromise their status.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): While the hon. Gentleman is on the subject of NDPBs, can he clarify now for the House the future of the Tenant Services Authority, about which there has been some speculation in the media? Apparently, the Housing Minister described it as "toast", and the *Financial Times* has speculated that the Chief Secretary overruled the Housing Minister.

Mr Hoban: I am sure you would rule me out of order, Mr Deputy Speaker, if I started responding to questions as detailed as that.

Mr Thomas: Will the hon. Gentleman give way again?

Mr Hoban: No, I want to make some more progress. A number of Members on both sides of the House wish to participate in this debate, and I am conscious that there is also private business after this.

I want to talk now about the next stage of the alignment process: the coverage of estimates and budgets by including all non-voted budgetary expenditure and income in the estimates presented to Parliament. Parliament will not be asked to approve this spending as it will already have separate legislative authority, but Members will see the full picture of departmental budgetary expenditure. For example, spending financed from the national insurance fund will now be included in the accounts and the estimates, even though it does not have to be voted on annually. Going back to the point raised by my hon. Friend the Member for Gainsborough (Mr Leigh), we will align the treatment of income in estimates with budgetary controls. Income will be retained

by the Department, provided it is of a type allowed to be netted off budgets and included in the description of income in estimates. To this end, a new description of all relevant categories of income will be included in estimates and replicated in Supply legislation. That will ensure that such information is disclosed in the estimates, and those bodies will therefore be accountable for those sums.

We will simplify the presentation of expenditure information by fully aligning budgets and estimates, reducing remaining differences with accounts to those that are absolutely necessary, and providing clear reconciliations between any necessary misalignments that remain.

Mr Leigh: Let us get this absolutely clear. Although the Treasury originally said that there might be a problem with this information coming to Parliament, the Financial Secretary is going to make sure that it is fully available because he appreciates that this is an incredibly complicated and difficult matter for Members of Parliament to come to grips with. There is no point in having an alignment project if less information ends up coming to Parliament and the situation is less clear than it was before. I think that my hon. Friend has given us the necessary reassurance, but I wish to press him, so that there is no doubt that we will get just as much information as we have always had.

Mr Hoban: My understanding is that that is the case. What we will also be able to do—this deals with something that frustrated me when I first came into the House—is track information from budgets set by the Treasury to estimates and to the out-turns. That consistency of information will help Members of this House to hold the Government to account on how public money is being spent.

These changes have been the subject of constructive cross-party consultation over the past three years. During the previous Parliament, the then Chief Secretary to the Treasury submitted three memorandums on alignment to the Chairmen of the Treasury Committee, the Public Accounts Committee and the Liaison Committee, in November 2008, March 2009 and February 2010. The March 2009 memorandum contained detailed proposals for achieving alignment and was published as a Command Paper. All the Committees indicated their support for the proposed changes, and the Liaison Committee took the lead in providing detailed responses. I am grateful to that Committee for its engagement with, and support for, the alignment proposals throughout. The Committee noted in its report on financial scrutiny published in April 2008 that the alignment project was "potentially an historic development". I fully endorse that view.

The Liaison Committee published a further report in July 2009, which was, again, strongly supportive of the proposed changes. It also made reference to wider issues related to the parliamentary scrutiny of public spending, including the number of days available for debates on the estimates and the outcome of spending reviews, and the scope of such debates. This Government's establishment of the Backbench Business Committee represents a significant step forward in this area. That Committee has at its disposal 35 days in each Session, some of which are taken in Westminster Hall, to schedule debates on subjects of its choosing, including the scrutiny of public spending.

This Government are fully committed to enhancing transparency in public spending and supporting effective scrutiny by this House. We have already published data held on the Treasury's public spending database going back to 2005-06. Further measures are being taken that will see details of all new spending of more than £25,000 published from November 2010.

Mr Thomas *rose—*

Mr Hoban: I am sure that the hon. Gentleman will wish to welcome that.

Mr Thomas: The Financial Secretary rightly made reference to the support of the Liaison Committee and to the work of the Backbench Business Committee. However, the Liaison Committee also made it clear that the Government should give an undertaking to provide a day's debate on the outcome of each spending review and on each year's pre-Budget report. Can he confirm that it is the Government's intention to do that from now?

Mr Hoban: Clearly, the Liaison Committee's recommendations preceded the decision by this Government to set up the Backbench Business Committee. The Backbench Business Committee has the power to use one of the 35 days available to it to deal with the issues proposed by the Liaison Committee, and that is the right way to proceed. It is right to give the House a power to engage in that degree of scrutiny.

The House is today being asked to approve formally changes that will further support the move towards greater openness and transparency, and make effective scrutiny of spending plans by this House far easier to achieve. An explanatory note outlining the purpose of the alignment project has been made available in the Vote Office. With the authority of this House, these changes will be implemented for the financial year 2011-12, and I commend this motion to the House.

6.54 pm

Mr Gareth Thomas (Harrow West) (Lab/Co-op): I, too, welcome this opportunity to debate the clear line of sight project. What happened this weekend will have dispelled any last remaining doubts about the need for more clarity, transparency and scrutiny of the Government's plans for public spending. The measures that we are debating will help to make that process a little easier.

As the Financial Secretary said, this project to align better the measures of Government spending was initiated by the previous Government and was strongly supported by many of the Committees of the House. I should, at the outset, acknowledge the important contributions made by the Hansard Society—its contribution went back as far as 2006—the National Audit Office, and, of course, the Treasury Committee, the Public Accounts Committee and the Liaison Committee in championing these reforms.

The Financial Secretary alluded to the fact that in our June 2007 Green Paper, "The Governance of Britain", we announced the establishment of the clear line of sight project. In a memo in November 2008, we published the first broad ideas, which were then developed into a clearer set of proposals published in March 2009. These ideas set out to do the following: first, to modernise the

[Mr Gareth Thomas]

public spending process to make it more transparent and easier for parliamentary scrutiny purposes and, therefore, to make the Government more accountable; secondly, to make the public finances easier to understand by reforming the way in which the Government publish financial information; and, thirdly, to create greater incentives for value for money by improving the way public spending is managed.

In short, the project was designed to resolve the basic problem that Treasury budgets, which are announced in spending reviews and published in the departmental annual reports, estimates laid before Parliament and resource accounts each currently measure and report expenditure in different ways. That inevitably makes it difficult to compare figures, thus creating, on occasion, confusion and a lack of understanding. Given the Budget that we have just seen, with the scale of impact on the poorest, this has never been more necessary to resolve.

In March 2009, we set out a series of specific proposals in a Command Paper proposing key changes. The first was that the estimates presented to Parliament would be organised, so that when Parliament voted on them it was voting on the same totals as the Treasury would be using to control Government spending—as the Financial Secretary has said, that is particularly significant for non-departmental public bodies. The second was that parliamentary controls over expenditure would be on a net basis, rather than on a gross and net basis. The third was that Parliament would actually approve the capital spending plans of Departments, rather than just be made aware of them. Other proposals were that there would also be changes to the format of the estimates to help simplify them further, and that financial publications would be rationalised to three annual publication events.

The March 2009 proposals had identified misalignments between budgets, estimates and resource accounts of almost £500 billion from the 2008-09 departmental resource spending plans. The extent of misalignment after today's proposed changes would have reduced to approximately £22 billion—that is a very significant and substantial improvement. Nevertheless, I hope that the Financial Secretary will undertake to keep under close scrutiny, in partnership with Parliament, the scope for any further reductions in this level of misalignment.

We demonstrated our further commitment to this project by taking forward within the Constitutional Reform and Governance Act 2010 the one aspect of these proposals that required a change to legislation. That proposal—the consolidation of non-departmental pubic bodies within department resource accounts—was included within the Act and passed in the wash-up period before the general election. I welcome the fact that the explanatory note that the Financial Secretary has put in the Table Office gives some indication of the timetable for introducing the order that will list the bodies to be consolidated into the estimates and accounts—that relates to part of the point raised by my right hon. Friend the Member for Barking (Margaret Hodge). However, I would welcome his including in his winding-up speech an explanation for the somewhat lengthy time lag between the primary and secondary stages of this particular process.

In the previous Government's original proposals of March 2009, we said that we wished

"to develop, over time, a set of 'mid-year' departmental reports giving a provisional view of spend and performance for each department during the current financial year".

The Liaison Committee strongly supported that proposal, so will the Financial Secretary explain how he sees the Treasury developing that particular part of the March 2009 proposals?

Perhaps, the Financial Secretary could also set out how the proposals might impact on some of the new bodies that he and his Department have announced. The Office for Budget Responsibility has not had the best of starts, with its independence being questioned and its statistical analysis set for early scrutiny. At the moment, the OBR sits within the comfortable embrace of the Treasury and I wonder whether the Financial Secretary can explain to the House whether he has plans to establish the OBR as a non-departmental public body. I ask because, if that were to be so established, under these proposals the House would be able more clearly to see what the OBR was costing and on what it was spending its money. The House would be more able to make a clearer assessment of whether the OBR's communications and economic analysis were genuinely independent of the Treasury. If he does not plan to establish the OBR as a non-departmental public body, perhaps he can explain how he plans to offer the House the same level of scrutiny over the OBR's spending and therefore help the House to assess how independent of the Chancellor and his spin doctors the OBR is?

Perhaps the Minister, too, can set out how these proposals will impact on the independent Equitable Life commission that he plans to establish. Again, will he establish this commission as a non-departmental public body? I ask this without prejudice.

Nadhim Zahawi (Stratford-on-Avon) (Con): I am slightly puzzled by the shadow Minister's speech, because it sounds like a debate for tomorrow.

Mr Thomas: With all due respect to the hon. Gentleman, if he had done some research into what these proposals are about, he would understand the significance of including non-departmental public bodies in the estimates and accounts and would therefore understand the advantages for the House of these proposals.

If the Equitable Life commission that the Government plan to establish were to be set up as a non-departmental public body, the House could assess how much the Government were spending on the administration of the commission as well as on the payments of the scheme. The House could therefore potentially understand more easily how the functions of the commission, which, incidentally, are yet to be made clear, were being implemented. If the Financial Secretary and his colleagues do not intend to set the commission up as a non-departmental public body, will he tell the House how it will be able to scrutinise how the commission is funded and what it spends its money on?

Similarly, the Financial Secretary's proposals, announced in this House, for a consumer protection and markets authority and a new economic crime agency have not so far been subject to any scrutiny other than that given to the original statement to the House. Under the alignment project proposals, the House could scrutinise more effectively their spending plans and compare them to

their predecessors in that regard if they were established as non-departmental public bodies. If he does not propose to establish these two bodies as non-departmental public bodies, will he explain how Parliament will be able to approve their spending plans and scrutinise their accounts? Again, I ask that without prejudice.

One of the real concerns about the Minister's proposals was the loss of energy within regulatory agencies as individual staff focused, inevitably, on their own futures. The Minister still needs to explain how such a loss of energy in regulatory oversight is being prevented. Will he recognise today that clarity on the status, budgets and ultimately expenditure levels for the new bodies will be fundamental in giving the House confidence in the ability or not of these agencies to do the job that the coalition plans for them?

I welcome this further opportunity to confirm support for the sensible changes that the last Government created under the alignment project, which have taken place after considerable useful debate, but I look forward to the Financial Secretary giving some more clarity on the questions that I have asked.

7.4 pm

Mr Andrew Tyrie (Chichester) (Con): The hon. Member for Harrow West (Mr Thomas) strayed rather a long way out of the line of sight of the line of sight project, if I may say so. His points about the importance of the Office for Budget Responsibility are well made and well taken, and that is something that I hope my Committee will consider and something that I am not yet convinced we have achieved. However, I think that that is a debate for another day.

These proposals will significantly improve parliamentary scrutiny of spending. The previous Labour Government deserve a lot of credit for having put this work in train, just as the coalition Government deserve some credit for acting on what they inherited. I also want to pay tribute to the Liaison Committee and its staff and, in particular, to the work of the Treasury Sub-Committee under the chairmanship of my hon. Friend the Member for Sevenoaks (Michael Fallon). He put in a great deal of hard work on all this, some of which is now bearing fruit. I understand that he intends to catch your eye in a moment, Mr Deputy Speaker, and he will no doubt make these points in more detail. However, in the 2007 report he expressed a number of concerns, and two main concerns in particular. One was about the timetabling of publications and the other was about the treatment of income lines in the estimates. On the first, the Government have proposed to publish their departmental reports and accounts by mid-June of each year and to publish the main estimates earlier. That is a step forward. On income streams, the Government's original proposal—this has been mentioned—was that the House of Commons would vote only on the net estimate. That would have been a step back from the current arrangements whereby Parliament at least votes on both the gross and net figures.

The Treasury Sub-Committee, when considering this matter, acknowledged that with alignment it would not be possible for Parliament to maintain controls over gross totals, but it argued strongly that adequate information should none the less be provided. That is the point that my hon. Friend the Member for Gainsborough (Mr Leigh) made a moment ago.

On the question of income streams, I think that the Government's latest plans are a great step forward. Let me explain why. If I get this wrong, the Minister can intervene and tell me. As I understand it, under his proposals any income used by Departments to support spending must be of a type specifically approved by Parliament. That is the first key point, of which there are four. The second is that tax receipts cannot be used as income by Departments to boost spending. In other words, the tax receipts must still go to the Treasury in the normal way. The third is that information on estimated income will still be presented to Parliament and the fourth is that Departments will still be required to explain variations between planned income and actual income at the year end. The Minister has not intervened on me yet, so I have high hopes that I have got that right. If I have, the Government have gone a long way towards satisfying the concerns of the Sub-Committee's report of the previous Parliament.

This is a complex area with a lot of unknowns still as we develop these changes. We must be realistic about what is achievable and we must be clear that there was no golden age when Government estimates were routinely rejected or reduced. The House of Commons abandoned any attempt to debate estimates in that sort of detail not in the post-war era, as many people suppose, but sometime in the 19th century.

I am also clear that great care needs to be taken before pressing for dramatic increases in powers for Parliament in this area as they can have unforeseen consequences. It is certainly worth considering, for example, ensuring that supplementary estimates are approved by the relevant Sub-Committee, but I am wary of anything that could create the conditions for the growth of a pork barrel style of politics in Britain through the back door. I have been an advocate of stronger Select Committees for many years and we have a lot to learn from our counterparts in Congress, but I do not think that we have much to learn by importing pork barrel politics.

Mr Leigh: Will my hon. Friend give way?

Mr Tyrie: If my hon. Friend will forgive me, I am near the end of my remarks and I would rather get to the end because I have discovered—surprisingly on this subject—that quite a few people want to speak.

We will have to see whether the proposals provide better opportunities for the Select Committees that shadow spending Departments and we will soon see whether they can start to scrutinise better the spending decisions taken by them. We will have to wait to find out whether these Committees take up those opportunities—that includes the Treasury Committee, which also monitors spending Departments.

I warmly welcome these proposals from the Government. We now need to monitor them carefully.

7.9 pm

Margaret Hodge (Barking) (Lab): I join others in warmly welcoming the moves that are being taken to simplify and align the reporting mechanisms to Parliament and to make better sense of the arrangements for budgets, estimates and the accounts. I also pay tribute to all those hon. Members who played a part in ensuring that we reached this point. This is the first opportunity that I

[Margaret Hodge]

have had in the House to acknowledge the contribution of the hon. Member for Gainsborough (Mr Leigh) when he held the position that I now hold. Throughout his entire tenure of that office, he did a brilliant job of ensuring proper accountability for Government expenditure, and I know that he also played a part in developing these particular proposals. My grateful thanks go to him.

The proposals are being put forward at a particularly important time for Parliament. As we go through a period of financial constraint and cuts in public services, it is hugely important that the decisions taken by the Government are properly accounted for to Parliament. If the new arrangements make it easier for Parliament, either through its Select Committees or through debates in the House, to ensure that the Government are better held to account, we will all welcome that. This is a particularly important period, in which real value for money for every taxpayer's pound spent is of paramount importance to members of the public.

Better, more consistent figures are one part of the story, but I would like to raise two further issues. First, we need proper time in which to debate the issues that will come out of the special financial accountability to Parliament, and I hope that Ministers will not always designate the days that are controlled by the Back-Bench Committees as those on which we can debate them. These matters are of enormous importance to Members, and should not be contained within those 35 days. I ask the Minister to ensure that the Government will make time available for the proper debate of pre-Budget reports, the spending review and Select Committee reports on expenditure.

My second point is that we all need proper time to carry out financial scrutiny of the figures for the public, whether in the form of estimates, budget estimates or accounts. I hope that Parliament will be given appropriate time to do that, to ensure that accountability.

In generally welcoming these measures, I want to ask the Minister a couple of questions. First, if we are to be able to exercise effective public scrutiny, we shall need timely presentations of the estimates—as close as possible to the Budget or to the start of the financial year. What precise undertaking can he give us on when the estimates will be presented to Parliament?

My second question is on supplementary estimates. In the report produced by the Liaison Committee, there was a suggestion that we would strive to—*[Interruption.]* Is that ringtone an attempt to cheer up my contribution? There was a suggestion that we would strive to reduce the number of times that it was necessary for us to consider supplementary estimates. Has any advance been made on that matter, and on the Liaison Committee's recommendation that supplementary estimates should come before the House only once a year? I also agree with my hon. Friend the Member for Harrow West (Mr Thomas) that it would be helpful to know what progress has been made on the development of mid-year reports on spending and performance, with an update on the provisional allocations for next year. When can we look forward to those being introduced?

I warmly welcome the Government's decision to publish online all expenditure over £25,000, but will the Minister tell us what steps he is taking to calculate the administrative costs and bureaucratic burden of that new measure of accountability? As well as putting that information on the website, will he also ensure that it is placed in the Library, so that all Members of the House may have easy access to it? With that, I join others in noting that there is agreement across the House on these proposals, and I look forward to their early implementation.

7.15 pm

John Hemming (Birmingham, Yardley) (LD): May I start by apologising to the House for my mobile phone ringing just now? It was definitely switched off a while ago. When I was on Birmingham city council, we used to have a policy where, if that happened, we had to give money to the lord mayor's charity. Perhaps the Speaker's charity should receive a small payment in this instance.

My experience on Birmingham city council gave me a good understanding of how to control public spending. In moving towards a system with a clear line of sight, all our budgets are set out so that what has been agreed matches what is being recorded. If Parliament decides that that is in fact slightly misaligned, and that we are not spending what we expected to spend, we will need to be aware of the effect that that will have at the other end of the cycle.

We had that experience with the neighbourhood renewal fund in Birmingham. The Government had strict rules on how much money should be spent in each financial year. It was a new system, and if we had not found enough useful projects to spend the money on as we got close to the end of the financial year, there would be a "dash for trash" as we tried to find something to spend it on, so that the Government would not take it away in the next year. It is right to improve the way in which we record these things, but we must ensure that we do it in a way that does not cause those people who are managing the budgets to go for a "dash for trash" at the end of the financial year, just to ensure they fulfil their budgets. Obviously, if we are recording depreciation properly, that will not vary; only the cash issues will be affected.

There are two aspects to accountability. The first involves the authority to spend public money. The second involves finding out whether the expenditure represents value for money. We need to look beyond the system of departmental accounting. Colleagues will know that I am greatly concerned about the child protection system, which is horrendously complex from a financial perspective. When a child is taken into care, the foster carer can cost about £40,000 a year. Further costs can include the parent's lawyer, which can cost about £25,000 in legal aid. The other parent's lawyer could cost a further £25,000 in legal aid, and expert fees might have to be paid by the Children and Family Court Advisory and Support Service, a separate non-departmental public body.

All those different charges might apply, but, when an assessment of the cost effectiveness of the process is carried out, they might not all be taken into account. When it comes to parliamentary scrutiny here, the Justice Committee will look into the legal aid costs, the Education Committee will look into the foster care costs, and so on. They might not all be put together in a way that leads us to make the right decisions, however. I have encountered many situations, for instance, in which access to a mother and baby unit has been refused on

the ground of cost, although such access would have kept mother and baby together for life. The lifetime cost of that not happening is about £250,000 per child, and it could well have been a false economy to save the £6,000 cost of the mother and baby unit in the first place.

When we are considering value for money as part of the accountability programme, we need to find mechanisms to look at project costs on a value-for-money basis. Similar situations occur with capital projects. We are very pleased that the work on New Street station is going ahead, for example, but that is funded out of a number of different pots, and we are not sure what is coming from which pot. Some might be coming from the city council, some from the regional development association, and some from the Department for Transport. That uncertainty makes it difficult, from the perspective of parliamentary scrutiny, to find out what is happening. Trying to compare figures from project to project is also very difficult, because these things are so complex.

We have a similar problem with the funding costs of private finance initiatives. The great difficulty is comparing all the figures involved in what is called optimism bias. I asked the Government what the optimism bias figures were for a number of different PFI projects, and they came back with a wide range of figures. Let me explain a bit about optimism bias, for those hon. Members who are not aware of it. When a PFI project is put together, there is an assumption that, if it could be done through the public sector, it would be done through the public sector, so it must therefore be done in the most cost-effective way. A calculation is made of what the public sector project would have cost, but an optimism bias is then added to it, on the assumption that the public sector calculation is optimistic and therefore too low. That is then compared to a PFI cost without an optimism bias.

The interesting thing is that people are told to pick their own optimism bias, and if the optimism bias is such that undertaking the project through the public sector is cheaper, they must do it through the public sector, but there is no money for that so it will not go ahead. Inevitably, people pick an optimism bias figure that means that the PFI looks cheaper, when it is not. Such things have been going on substantially around the country. Although the clear line of sight project is a positive move, we need to go further.

Other hon. Members wish to speak. I could go on at great length about financial control, having dealt with it at the city council level and in various private sector businesses, as well as in this place, but to be fair to others, I shall conclude.

7.20 pm

Mr Edward Leigh (Gainsborough) (Con): Thank you, Mr Deputy Speaker, for calling me in this important debate.

The effective monitoring of Government expenditure and the exercise of control over it by the House of Commons is crucial to why we are here at all, but over the centuries it has become virtually impossible for ordinary Members of Parliament to understand what is going on. It is like the classic Schleswig-Holstein question—only three people understand it, and one of them is mad and one is dead. It is so complicated and so difficult.

That is why I was happy to attempt to serve on the Liaison Committee in the last Parliament with Michael Jack, who was the Chairman of the Environment, Food and Rural Affairs Committee and John McFall, who was the Chairman of the Treasury Committee. We tried to gets our own heads around the subject, and it made our heads hurt to try and understand what was going on. I hope that some of the comments in our Liaison Committee report have found their way back into what the Government are trying to do—indeed, I know they have, because the previous Government replied to our report. There is nothing partisan about this. Both sides of the House are agreed that the present system is broken and we must do something about it.

As we made clear in our report, the present arrangements present obstacles to sensible and informed scrutiny of public expenditure. It is extraordinary that we have estimates days, but we never discuss estimates. When I tried to interest the Liaison Committee in this work in the last Parliament, there was a collective groan from the Chairmen of the other Select Committees. They said that their people were interested in policy not money, but money is all-important. Policy flows from money. How extraordinary that after centuries of accumulation, like barnacles on the ship of state, we never discuss the Budget in detail.

The Budget process is a farce—not the Budget statement, although in previous years, as we know, much of it was hidden in the Red Book. In the Finance Committee—the Committee that considers the Budget—there is only a matter of seconds available to consider each amendment. Scores of amendments are tabled, the Government swat them all away, and there is no proper debate, and the estimates days do not deal with estimates.

My hon. Friend the Member for Chichester (Mr Tyrie) spoke about the American process, which works. The Office of Budget, a presidential body, proposes a budget. The President may propose, but Congress disposes. In our system, the Chancellor and the Prime Minister propose, and the Chancellor and the Prime Minister dispose. Parliament has very little effect on the process.

In America, there are hundreds of hours of meetings on the budget process. I know that my hon. Friend mentioned pork barrel politics. That is a regrettable aspect of the process but it is often much exaggerated. Recently, Senator Byrd died at the grand old age of 90. I might still be here at the age of 90, boring the House with these matters. We know that Senator Byrd showered largesse on West Virginia, whereas it is impossible for me to give a single penny to Gainsborough, or in the case of my hon. Friend, to Chichester, but surely there is a sensible halfway house, so to speak, whereby the House can receive reasonable, sensible information, we can know what is going on, we can have estimates days that discuss the estimates, and we can make a difference.

That is why I suggested in the last Parliament that there should be a triple lock on the scrutiny process. The right hon. Member for Barking (Margaret Hodge), the present Chairman of the Public Accounts Committee, has already spoken in the debate. We have a superb post-audit system in the UK, perhaps one of the best in the world. Although we have one of the best audit systems in the world—actual audit systems through the National Audit Office, and parliamentary audit through the Public Accounts Committee—we have one of the weakest Budget processes. When the Hansard Society

[Mr Edward Leigh]

produced a report before the Liaison Committee examined the matter in the last Parliament, in terms of effective parliamentary scrutiny we were at the bottom of the heap, together with New Zealand, ranked lower than any other democratic Parliament in the world, bar none. Such was the weakness of our parliamentary control.

What I suggested was a triple lock. We already have, as I say, a good audit system. Is it not surprising that it is so difficult to interest the other Select Committees in money? On education, for example, we had an hour and a half on a statement today with people battling over policy, yet it is difficult to get the Education Committee to get to grips with the education budget, from which those policies derive.

I think we need a specialised Budget committee, which will be a Select Committee of the House and have a permanent membership, like other Select Committees. When, under the alignment project, the Government bring forward various proposals, there would have to be a trigger mechanism when any Department sought to increase its budget by a certain amount. That could trigger a potential inquiry by the Budget committee, which would have to be resourced by the scrutiny unit of the House and by the National Audit Office.

Thus we would have a particular committee, a kind of appropriations committee, which is the most powerful congressional committee. It would have to have real teeth, not just be a talking shop. I hope my hon. Friend the Member for Chichester will not mind my relaying our private conversation earlier. He said that once we gave such a power to any Select Committee, pork barrel politics would inevitably flow from it. There would have to be safeguards, a process and gradual reform, as we always have in the House. No Government will suddenly surrender to a Select Committee or to Select Committees of the House the kind of powers that congressional committees have, but surely there is no harm in our waving the flag, as parliamentarians, for greater parliamentary control.

We would have the PAC as a kind of audit system, and a Budget committee looking at the Budget in detail in a way that the Finance Bill Committee cannot do. The third part of the triple lock on wasteful spending in Government should be some kind of Star Chamber within Government. The Treasury do a fantastic job, but when spending was increasing very rapidly during the past 10 years, it was overwhelmed by the sheer volume of decisions pouring on to officials' desks. It was perhaps too much of a paper-based exercise. Perhaps the Chief Secretary could not get adequate control of it.

I believe that Ministers and their officials who were proposing the expenditure of large sums of money should have to come before a Star Chamber to justify their proposals and to be questioned in private and give honest answers. I have served on four Select Committees of the House in more than 20 years. Do we ever have Ministers and officials giving entirely honest answers to our Select Committees? No, because those are held in public and Ministers and officials deal with questions by playing a dead bat. I am not denigrating the role of Select Committees and I quite understand the game that Ministers and officials play in front of them, but there has to be some equivalent process privately within Government, so that as expenditure plans are being dreamed up, there is proper control and reform.

Such scrutiny will continue to be a dry subject which nobody understands or is interested in unless the Government, in the alignment process, listen to what we were trying to say. We said:

> "To be properly effective improvements in presentation need to be accompanied also by improved opportunities for Members—as individuals and through select committees and front benches—to debate the figures (both in the form of the formal Estimates for the current year and the spending plans for future years)."

That is absolutely vital.

We want a clear line of sight and to know in simple terms, whether from the Department for Education or the Ministry of Defence, what they spent last year and plan to spend next year. There would be a day in Parliament when we could debate it and vote on it, and that would start to bring Parliament back into the process. In doing so, that would surely restore Parliament to what it should be about: Members acting on behalf of their constituents to control public money, so that very large sums of money are never again spent without adequate controls. That is a great prize. For all the technicalities of our discussion, for all the difficulties and for all the talk of "moving from cash to resource accounts", "the introduction to Government budgets" and "the concept of departmental expenditure limits"—all those words that, frankly, leave most Members cold—in the end, this is not a technical process. It is a process of real parliamentary democracy, and is therefore to be warmly welcomed.

7.31 pm

Michael Fallon (Sevenoaks) (Con): It is a pleasure to follow my hon. Friend the Member for Gainsborough (Mr Leigh), and all of us look forward to hearing from him in this Chamber on his 90th birthday.

I, too, welcome warmly and, I hope, briefly the motion and the Government's early action on the clear line of sight project. As my hon. Friend the Minister said, it has had a very long gestation. We are being asked to take note of a document that is 16 months old, and of a proposal that is at least three years old, and probably four years old. For all that, it is a welcome proposal, because it puts budgets, estimates and accounts on the same basis, and the Treasury Committee has long encouraged such a move. It is very good news to hear from the Government that the budgets will be aligned from this April, and I understand that the estimates will follow from April next year. I welcome that.

I have only three technical points and then a proposal. I hope that they are not too technical, but if they are I am happy for my hon. Friend to write to me. First, I understand that in budgets, public capital expenditure by private bodies is treated as capital expenditure, but that, when it comes to estimates and accounts, it is treated as recurrent expenditure. My hon. Friend proposes to remove the cost of capital charges from the accounts, but I am still not quite clear how the estimates and how Parliament will see the capital that private bodies expend on the public's behalf.

My hon. Friend the Member for Chichester (Mr Tyrie) has already discussed my second point at length, and I am grateful to him for his kind words. It is about the loss of control—to which my hon. Friend the Member for Gainsborough referred in an intervention—between the gross and net income totals. We have to accept that

there is some loss of control, but I hope that my hon. Friend the Minister will reassure us that what matters is the detail of the net income to be provided. For current expenditure, that might be fees for capital expenditure, receipts or whatever, but it is important that we have sufficient sight of the income totals, and I am sure that my hon. Friend will reassure me on that.

The hon. Member for Birmingham, Yardley (John Hemming) touched on my third point, which is about the treatment of private finance initiative contracts. I understand that, under international finance reporting standards rules, PFI contracts are now shown on the balance sheets of individual departmental accounts, but that they might not appear in the calculation of net debt in the new, whole of Government accounts. Therefore, I would be grateful if my hon. Friend the Minister could explain how he proposes to reconcile public sector net debt, which is calculated on the national accounts basis, with the same figure that appears in the departmental accounts using the IFRS standard. That will be especially important as the PFI process peaks.

As the proposals are adopted, and as the assessments are prepared on that basis next year, the ball returns to our court. Therefore, I shall touch on the suggestions that my hon. Friends the Members for Chichester and for Gainsborough made and, indeed, what the Minister and his shadow, the hon. Member for Harrow West (Mr Thomas), said. It is true that we will have the advantage of the Backbench Business Committee being able to allocate further days for debate, but they will be for debate only. What is unsatisfactory about the current process, particularly when it comes to the supplementary estimates, is that literally billions of pounds go through on three particular evenings a year after only a single debate or, perhaps, two debates about just two items of departmental expenditure, important though they are. Those huge sums flash through on three particular evenings.

We have the new Select Committee structure and the new Select Committees, which have been elected by the whole House, and I am therefore wary of the suggestion from my hon. Friend the Member for Gainsborough that we set up yet another Committee. I think that he was going to call it the Budget committee, but we have an awful lot of Committees, and given that we now have elected Select Committees I ask the House to think again about how we involve them more in the process under discussion. I fully take the objection to pork barrel politics, which bedevils the United States Appropriations Committee that my hon. Friend seemed to like so much, and I should not suggest line-by-line amendment or, indeed, veto by a Select Committee. However, I should suggest that no supplementary estimate be presented to the House by any Minister unless it has first been approved by the relevant Select Committee. Nothing would transform the power of Select Committees more than my simple suggestion.

It would be up to the Department to establish a proper relationship with its Select Committee, and it would be up to the Secretary of State to plan his expenditure properly, knowing that if he went back to the Department with a huge supplementary estimate and wanted suddenly, mid-year, to transfer a vast sum from one end to another, he would have to explain himself to the Committee and win its approval. I do not suggest that the Committee should have the power to amend the proposal, simply that it should have to give its approval before that supplementary estimate is presented to the whole House. At a stroke, we would transform the relationship between the Executive and Parliament and give our Committees the power not simply to grandstand, ask questions and hurl abuse at witnesses, but to become more thoroughly involved with the work, planning and control over the money of the Departments that they scrutinise. The Committees would, therefore, become interested not simply in policy but in the huge sums that Departments spend. With that proposal, and my three technical comments, I warmly welcome the motion.

7.38 pm

Mr George Mudie (Leeds East) (Lab): I did not intend to speak in this debate, but I was enormously cheered by the contributions from the hon. Members for Chichester (Mr Tyrie), for Sevenoaks (Michael Fallon) and for Birmingham, Yardley (John Hemming). I do not know whether that is down to the new faces among us, but after 18 years in this place, I had begun to despair of achieving any sensible discussion on the scrutiny of public money. We spend other people's money, but it had seemed to be the last thing on anybody's mind in this place.

I do not downplay the steps that the previous Labour Government took, the framework that the Minister has inherited or his steps to put that framework into operation as quickly as he has, but my right hon. Friend the Member for Barking (Margaret Hodge) put across something else very important. The proposal to put online anything over £25,000 in a budget is an enormous step forward, because we are discussing streamlining and stopping the overlap between, and the disjointed effects of, the varied financial information that covers what we spend of taxpayers' money. I pay tribute to the Minister for that proposal.

We have to remember that we spend hundreds of billions of pounds every year. When I first came here from local government, where we knew about every line, I had the cheek to ask people in one of the Departments to break down a budget head, and I could almost hear their terror. They thought that I was very impertinent even to suggest it, and said, "It would be too expensive to give you this information." We could take any line in the book that is in the Vote Office now—the central Government supply estimates. I picked it up this afternoon, as a geek, to go through it. There is a line referring to £1.5 billion, with a few words of explanation. If we attempt to find out what that covers and how it is broken down, we are thought to be exceeding our brief.

I listened to what was said by the hon. Members for Gainsborough (Mr Leigh), for Sevenoaks and for Chichester, who has, I think, disappeared in case he gets talked into agreeing to something. I do not think that this is pork barrel politics. It is a duty of Members in this place to know the detail of the legislation we are passing and what we are spending, but the system does not allow us to do that. There is a good argument for the Committees chaired by my right hon. Friend the Member for Barking and the hon. Member for Sevenoaks getting together, in whichever way, whether it is by taking the suggestion of the hon. Member for Sevenoaks or a combined option, with a joint Sub-Committee of

[Mr George Mudie]

the Public Accounts Committee and the Treasury Committee rather than a budget Committee. Whatever we did, it would frighten the officials. It would bring us so much power and so much ability to have a say in what we are spending if we set up an apparatus that allowed us to break all these lines down. However we do it, we need to get a system whereby we set up a group of Members who are willing to spend their time on this. That is one of the difficulties of suggesting that we have another Committee that would add to all the hours put in by members of the Treasury Committee and the Public Accounts Committee.

Two weeks ago, I made a suggestion to the new Chairman of the Treasury Committee regarding the Sub-Committee so admirably chaired by the hon. Member for Sevenoaks over the past few years. I said that we already look in outline terms at the budgets and work of the Departments and bodies covered by the Treasury Committee, but we could also run a yearly exercise whereby we took one Department and, instead of just having a two-hour session, spent the whole year going through its budget line by line, and we would do that for each Department in turn. When the Treasury Committee tried to scrutinise the work and expenditure of a Department, the people from that Department had only to see the Committee for two hours a year. They could take whatever abuse was thrown at them and bat off whatever questions they were asked, but then they knew that they were free for the rest of the year. If they knew that, on a yearly cycle, they would have line-by-line scrutiny of their Department's budget, they might be a bit more sensible in the way they spent public money.

Some wonderful suggestions have been made, and this is wonderful new ground. We should all resolve to accept the proposals that are on the table, but we should not be satisfied in thinking that they go anywhere near to allowing us to scrutinise properly. I have one last thought. I would love to have the opportunity that the Government are taking. I do not agree with their policies, their time scale, and so on; I think I made that clear the other night. However, I do agree with the music that is coming out whereby they are forcing Departments to sit down with them and go through, as much as is possible in the time scale, the make-up of the budgets to determine whether the money is being spent sensibly. That is a wonderful step forward.

7.45 pm

Penny Mordaunt (Portsmouth North) (Con): I broadly welcome the motion. I particularly welcome the proposal that parliamentary time must be provided to debate spending reviews and the annual pre-Budget report, and I hope that in future that will be the case—mind you, in the light of recent Treasury reporting standards, just to have a spending review at all would be a marked improvement. However, I have some concerns about the clear line of sight project, and I hope that the Minister will be able to reassure me and the House about those.

I am not an economist or an accountant, but I have seen enough episodes of "Yes Minister" to take a cautious approach to projects that seek to allow the cleansing light of scrutiny to fall on less information. I am concerned that "clear line of sight" might become "out of sight" in relation to some high-spending and income-generating Departments. For me, the Sir Humphrey element of this project concerns net accounting throughout—in other words, less information being presented, with potentially less transparency as a consequence.

Other Members have raised that issue, so I will not dwell on it. However, I wish to address the underlying assumption that Departments should be allowed to spend that additional income. It is stated as an advantage of this proposal that it will encourage Departments to be more frugal and squeeze better value for money for the taxpayer. I would argue that, paradoxically, the contrary might transpire, as Departments used the licence of net estimates to indulge in non-core activities aimed at increasing revenue for the Department. That would, in effect, be spending by stealth. Additional income raised would have to be spent in order to maintain the net figure, and presumably if the net figure were maintained Parliament would be content. Surely we would do better to have a system that set out gross expenditure and that enabled Parliament to choose how any additional income should be spent, held in reserve, or used to reduce the burden of that expenditure on the taxpayer. Unless we guarded against that, over time, we might see a distortion in the price of purchasing services such as passports, which are now practically compulsory, or in fees that might be paid, for example, to the UK Border Agency.

A second scenario might see a Department creating an income-generating activity that failed to deliver value for money or came at the expense of the statutory service that that Department was charged with carrying out. I will give the House a quick example from real life, not "Yes Minister", although it could well have been used for that. When I was a director of Kensington and Chelsea council, I discovered that one of our local hospitals was hiring out one of its closed, but fully equipped, wards to a film company to use as a film set. To add insult to injury, the movie was a pornographic one. Although I cannot claim to have seen the final picture, as I understand that these things are no longer claimable on parliamentary expenses, it was a big-budget affair and it generated substantial income for the hospital—but apart from cheering up a few of the in-patients, it could not be said to be contributing to the objectives of the primary care trust.

The absence of scrutiny on gross income and expenditure is the equivalent of saying to the public, "Don't bother to fill out your tax return—just tell us what your net income is and we'll take it at face value." Tax inspectors should see what items an individual is claiming against their income, and Parliament should be able to do the same. I hope that my hon. Friend the Minister will provide me with that reassurance when he sums up.

7.48 pm

Nadhim Zahawi (Stratford-on-Avon) (Con): I rise to speak on a topic that is of great importance to this House but that sadly, as my hon. Friend the Member for Gainsborough (Mr Leigh) said, is not engaged with in the same way as some of our policy debates are engaged with. However, I have to say that the name of the project is rather unfortunate. As well as confusing me the first time I read it, it definitely does not do what it says on the tin. I, for one, would have preferred a simpler name.

Transparency in all areas of Parliament, specifically in the use of the public purse, is of course of paramount importance. We must ensure that the public can follow and understand the decisions that are taken here. It should be a lot simpler for those who are interested to interpret the expenditure of Government, so that taxpayers can see where their money is being used. The clear line of sight project is a step forward in that regard. It is intended to simplify Government public expenditure information in both its presentation and publication, something that I as a businessman firmly believe is imperative, especially in such difficult economic times. Now more than ever, we must ensure that every penny we spend is spent wisely.

It is very important that we mention the achievements of the previous Government when considering this project, as it is one of their successes. It was established in 2007 by the previous Government and is now supported by the new coalition Government. The aim behind it is to simplify how the public can view Government expenditure, which can be done by ensuring that it is published in a simple format and that the information is presented in as easy and accessible a way as possible. I must say that even with those changes, I am not convinced that the documents in question will ever become bestsellers.

The current arrangements must be seen for what they are—confusing and unhelpful. They have even been described as obstructive of proper scrutiny. Given the recent trials of this House, I strongly believe that a change has to come. One of the most obvious ways in which that can occur is if we ensure that public expenditure is controlled and measured in one clear way. At the moment we have Treasury budgets, parliamentary estimates, resource accounts and others, each using different methods and subsequently giving us different answers.

The clear line of sight project will do a number of things to rectify that situation. It will align the different measures of public spending and ensure that the estimates are configured so that Parliament and the Treasury use the same control tools. The expenditure of non-departmental public bodies—quangos—will be incorporated into the estimates and resource accounts of the sponsoring Department, which is a good thing. The project will also ensure that financial publications are rationalised into three annual results. As a result of those changes, departmental annual reports, estimates and resource accounts will all include figures on the same basis, making it easier for the House and the public to compare figures and trends on a like-for-like basis.

Sadly, it is important to note that the current view of politics held by many of our constituents is negative. We have been through a difficult time in recent years. The expenses scandal galvanised public anger towards politics and politicians, an anger made all the greater by the perceived lack of transparency when the scandal arose. The public believe that our political system is broken, and upon taking office this Government promised changes to the political system to make it far more transparent and accountable. The clear line of sight project will hopefully be a small step forward. That is why we are here today—we need to start to fix what has been broken. The coalition has an opportunity to right the wrongs and thus lay the framework for a new politics.

Transparency is a simple thing, yet it will make a huge difference to the view of those outside the House. It will be a powerful instrument for change. If we allow the public to scrutinise and understand the things that are done here, I believe we can have a positive debate about how we want to be governed. We talk about engagement with people, yet our system of government works against that very goal. I firmly believe that, if more people understand the figures and are not put off by what they see as Government mumbo-jumbo, more people will engage in the decisions that have to be made and that affect their lives. That can only be a good thing.

A large part of what we describe as political apathy is people not feeling like they are included in the system. At the moment things are dauntingly complex, and the clear line of sight project is one way in which we can simplify them. It is for those reasons that I believe it is an important step to take, for the sake of both transparency and encouraging the public to analyse and discuss the important financial decisions that need to be made.

That is why I am a huge supporter of the opening-up of government. We have had an unprecedented amount of bureaucracy since the second world war, whether from Europe or from our own Departments in the UK—I would say that it has been an extraordinarily bureaucratic time. The coalition has an opportunity, with this drive for transparency and openness, to create a post-bureaucratic age. I commend the motion to the House.

7.54 pm

Claire Perry (Devizes) (Con): I am sorry to delay the Minister further, but I felt it important to say how broadly I welcome this proposal. I know that it has had a long genesis; indeed, I was lucky enough to meet its team when I was part of the former Opposition's Treasury team. I echo many of the comments that have been made commending both the clear line of sight team and the various heads of Committees who have helped to steer the process forward.

We will now have an alignment that takes care of some of the major problems, such as the £86 billion-worth of estimates that are not in budgets, the £71 billion that is in budgets but not in estimates, and the £58 billion that is in budgets but not in resource accounts. How could anyone manage a whelk stall, let alone public accounts, on that basis? Under the current system, 25% of public spending is not even seen by Parliament, so I welcome the current proposals, particularly the one to consolidate non-departmental public bodies. A complete lack of accountability has been built up in their financial reporting and processes.

I wish to echo a couple of points that other hon. Members have touched on, one of which is on the private finance initiative. We have an enormous problem of off-balance-sheet PFI commitments, which must be reconciled. I hope that the Financial Secretary will urge that that matter be brought forward and included in the project.

I should like us to go further still. While working for the Opposition team, I was lucky enough to meet one of the major heads of one of our largest outsourcing companies, who effectively has 35,000 civil servants working for him—the size of a decent Government

[Claire Perry]

Department. He manages it with three Excel spreadsheets, which report the same numbers at the top of the organisation and down at the bottom. We should strive further to get to that level of transparency and simplicity at all levels of Government.

It is commendable that so many Members have come to this debate and recognise how important it is, but it is not commendable that we have built up a system that most people, including most Members of Parliament, find utterly incomprehensible. As a result, we have had an enormous increase in the lack of accountability and transparency further down in the organisation of government.

I refer Members to the NAO report of February 2008 on financial performance measurement and management in government. It stated that the financial performance of a Department formed no part of the standard performance assessment criteria for a permanent secretary; that only 40% of Departments provided policy decision makers with a full financial analysis to support policy proposals; and that the last Government were teaching a course called "Managing public money" that had two stated objectives:

"To avoid a Department being disadvantaged in the public expenditure process"

and to

"protect the Accounting Officer's position".

There is not one word about taxpayers and, as the hon. Member for Leeds East (Mr Mudie) said so eloquently, not one acknowledgment that we are managing other people's money in everything that we do.

The current proposal is long overdue and has been three years in the gestation. I welcome it warmly, but I should like the same commitment to transparency and accountability to be pushed down to all levels of government.

7.58 pm

Mr Hoban: I wish to respond briefly to the debate.

As someone who in his previous career was a chartered accountant, I find something elegant about ensuring that figures are reconciled, but that is not an end in itself. In my former career it was to ensure that one could hold the management of businesses to account, and in my current career it is about being held to account myself and giving hon. Members the tools to hold Ministers and the Government to account on public spending.

A number of questions were asked about income being reported on a net basis. My hon. Friend the Member for Chichester (Mr Tyrie), in his four comments, was correct on all points, as one would expect. The control of income, which was raised by my hon. Friends the Members for Gainsborough (Mr Leigh), for Sevenoaks (Michael Fallon) and for Portsmouth North (Penny Mordaunt), is an issue to consider. The Supply estimates will continue to report a Department's expected levels of income, and they will include a note breaking them down in detail. Only income of a type included in the description of income in the estimates will be able to be retained by Departments. My hon. Friend the Member for Portsmouth North gave an example from her knowledge. Departments will continue to be subject to rules on fees and charges. That will determine the costs that can be charged for and ensure that full costs are recovered but that Departments do not generate profits. There will still be control over the types of income raised, which will be in line with legislation. There will be a note in the estimates analysis of income, which will ensure that these issues are transparent and that we can be held to account for them.

My hon. Friend the Member for Sevenoaks raised a number of technical issues to which I shall respond in writing. I commend the motion to the House.

Question put and agreed to.

Resolved,

That this House approves the proposals for simplifying the Government's spending controls and financial reporting to Parliament, as set out in the paper, Alignment (Clear Line of Sight) Project, Cm 7567, of March 2009, and the response of October 2009 to the relevant report of the Liaison Committee (Second Special Report of the Liaison Committee, Session 2008-09, Financial Scrutiny: Parliamentary Control over Government Budgets: Government Response to the Committee's Second Report of Session 2008-09, HC 1074).

City of Westminster Bill *[Lords]*

Lords message (10 June) considered

Motion made, and Question proposed,

That this House concurs with the Lords in their Resolution.—*(The First Deputy Chairman of Ways and Means.)*

8 pm

Mr Mark Field (Cities of London and Westminster) (Con): This debate arises purely on a procedural motion, instigated at the behest of my hon. Friend the Member for Christchurch (Mr Chope), who has assiduously sought to safeguard the interests of pedlars on many occasions in respect of other private Bills in the past two years or so.

I do not intend to go into great detail on the merits of the City of Westminster Bill—nor would you allow me to do so, Mr Deputy Speaker. Suffice it to say that the main purpose of the Bill is to replace and consolidate the existing street trading regulations that apply in Westminster—namely, the City of Westminster Act 1999, which was itself a consolidating piece of legislation. We need new legislation that is fit not just for 2010 but for some years to come.

I should make it absolutely clear from the outset that the Bill does not affect pedlars wishing to trade in Westminster; the Canterbury City Council Bill and the Nottingham City Council Bill, which we shall debate tonight, would affect pedlars in the relevant areas. As far as pedlars in the City of Westminster are concerned, the position is exactly the same as it has been since 1999, so I am a little surprised that my hon. Friend the Member for Christchurch should have chosen to object to the revival of the Bill.

The Bill updates the 1999 Act, through which the council is able to regulate street trading using a fairly sophisticated licensing system understood by residents, traders and, no doubt, by many of those who have to go to court about these issues. Clearly, there has to be some sort of regulation in a place such as Westminster, which has world-famous shopping and tourist centres, or else there would be a free-for-all. Indeed, I often wonder whether any of those who come to London to set up their stalls and sell come what may do so because they feel that a free-for-all is already in place. Yet it would be wrong to suggest that there has not already been a fairly sophisticated regulatory system.

Among other things, the Bill gives Westminster city council additional powers to de-designate existing street trading pitches. I hope that that deregulation measure will find favour with my hon. Friends the Members for Christchurch and for Shipley (Philip Davies). The Bill also allows street traders to trade through companies rather than just as sole practitioners or members of partnerships. It enhances the powers of council officers to deal with the real problem of unlicensed hot dog trolleys by allowing them to be seized before trading starts and introducing a sunset provision on existing provisions that allow street trading licences to be passed on to relatives.

In London, there has been a costermonger-type community that goes back many generations and several centuries. In fairness, it is felt that there should be an opportunity for a sunset clause on the passing of street trading pitches from generation to generation. The Bill would allow pitches to be passed on one more occasion for each licence currently in play. As far as pedlars are concerned, the position remains as it has been for 11 years: a street trading licence will be required unless the pedlar is selling from house to house.

Clause 52 would allow the council to regulate touting in the city. I should make it clear that that has nothing to do with ticket touting; it is about touting for business in the street, which is a considerable annoyance to residents, workers and visitors. The City of Westminster has some 140,000 residents and some 500,000 people come to work here every day. There are also, of course, countless millions of visitors from the UK and abroad. The fact that the touting provision has nothing to do with ticket touting might find favour with my hon. Friends the Members for Christchurch and for Shipley; it is a much more general prohibition on touting for other purposes.

Philip Davies (Shipley) (Con): I am delighted that the Bill does not impinge on ticket touting, but presumably people tout for business because they can get it. If they are getting business, they must be offering something that people are looking for, and at the right price. Surely that is in the consumer's interest. Why would my hon. Friend wish to stop people who are clearly acting in the consumer's interest?

Mr Field: That would be a legitimate argument if there were no opportunity for street trading in the City of Westminster, but there is already a huge opportunity. The whole licensing process tries to focus on ensuring that that opportunity is in place We are seeking not to end the idea of street trading, but to regulate such trading to a certain degree, so that there is not a free-for-all. That would be undesirable and seem to make the streets of central London ever more unsafe and unpopular for visitors, workers and residents alike.

The idea is not to stop street trading, for which there are significant opportunities. As with any Yorkshireman, my hon. Friend's heart lies in Shipley and other parts of his fair county, but he will recognise that there are still enormous opportunities for people to come to London and buy things on street corners. The Bill would not prevent that; it would prevent simply the rather unsavoury and perhaps unsafe practices involved in elements of street touting. They do real damage to Westminster as a tourist attraction. Westminster wants to remain a global attraction; we want people from all corners of the globe to come to this great city.

The motion is purely about whether the Bill should be revived in the current Session of Parliament. The Bill was initially introduced in the House of Lords on 22 January 2009. Its Second Reading took place after a debate in that Chamber on 13 March 2009. Petitions were deposited against the Bill, quite legitimately—we should be able to discuss these things. It was then referred to a Select Committee, hence the delay of almost 15 months. The Committee, which sat in July 2009, disallowed the petition of pedlars on the grounds that they had no locus, for the reasons that I have already set out. As I said, the Bill does not change the position on pedlars, unlike the consolidation Act that came about 11 years ago.

At that juncture, the Committee was adjourned and no further date could be found for the recommencement of proceedings before Parliament was dissolved for the

[Mr Mark Field]

general election. The Select Committee members, the promoters and the National Market Traders Federation, the sole remaining petitioner, are all standing by to reconvene in the House of Lords on 19 July this year, assuming that the motion is passed today. All the parties concerned have put a lot of work into the preparation for the hearing.

My hon. Friend the Member for Christchurch has every right to object to the procedural motion before the House today. However, I hope that he and his friends and colleagues—my friends and colleagues—will not push the matter to a vote. The promoters of the Bill did all they could to move it on in the last Session. They wish to continue to do so in the new Parliament, as is evidenced by the fact that a Select Committee awaits, barely two weeks from now. Only the fact that we ran out of parliamentary time in the fifth year of the Parliament meant that we were unable to get this legislation on the statute book before then.

As the Bill originated in the Lords and the Lords has already passed a revival motion, I hope that we will be able deal with this business in the Commons with due haste tonight. The Lords ought to have the opportunity to scrutinise the Bill in detail, and my hon. Friend the Member for Christchurch and other hon. Members will have ample opportunity to do so themselves when it returns to the House, as I hope it will early next year.

8.10 pm

Mr Christopher Chope (Christchurch) (Con): I congratulate my hon. Friend the Member for Cities of London and Westminster (Mr Field) on taking the matter before us seriously. The reason why I and other colleagues shouted "Object" to prevent the revival motion from going through on the nod was so that we could hear from the Bill's sponsor exactly why it was held up for so long in the House of Lords between Second Reading and the completion of its Committee stage, which, as he said, has not yet happened. We now understand from the promoter's statement that a date for the resumption of that Committee has been fixed for later this month. That will mean that the Bill and the petition against it will be considered in the Lords. As he said, if passed in the other place, the Bill will come to this place in due course, when hon. Members can give it proper scrutiny. I am all in favour of that.

I heard what my hon. Friend said, but it is worth emphasising that a revival of a private Bill is not a right but a privilege, and it is right that Members of the House ensure that a motion to revive a Bill is made on good grounds and that the case is made. We will have a chance in due course to consider aspects of the detail of the Bill, but one point my hon. Friend did not deal with is the interaction between the City of Westminster Bill and the possibility of more general legislation applying to pedlars. The Bill consolidates much of the private legislation relating to pedlars in the city of Westminster.

In the previous Parliament, the Government initially asked Durham university to carry out research, which was subsequently conducted and consulted upon. Proposals were then introduced and subjected to further consultation. I hope that during the course of the evening, in response either to the debate on this Bill or to the debate on the Canterbury City Council and the Nottingham City Council Bills, the Under-Secretary of State for Business, Innovation and Skills, the hon. Member for Kingston and Surbiton (Mr Davey) will say what the Government's initial thinking is on their approach to pedlar legislation. What impact would national pedlar legislation have on the provisions in private Acts in relation to Westminster city council? Obviously, it might be a waste of time if the House or the other place spend a lot of time discussing the consolidation measures in the City of Westminster Bill if the Government subsequently introduced national legislation on pedlar activity.

At the moment, traditional pedlars cannot operate within the city of Westminster boundary. They can go from door to door, but they cannot act as pedlars on the street, which means that they are severely disadvantaged, notwithstanding their national licences to peddle. I hope for national legislation and a national approach to the matter, and that the Minister tells us what the Government's thinking is on the prospect of such legislation, so that we do not have piecemeal proposals from councils up and down the country.

Mr Peter Bone (Wellingborough) (Con): Is that not the crux of the matter? The previous Government talked about introducing national legislation. It costs local councils an enormous amount of money to promote private Bills, so would not such legislation solve that problem?

Mr Chope: My hon. Friend is absolutely right. We are told that had there not been so much resistance from him and others to private Bills in the previous Session and the one before that, there would have been many more. That it was difficult for such Bills to make progress through the House acted as an effective deterrent for the very good reason he articulates. Such legislation is expensive and will often be seen by local taxpayers as a disproportionate response to a local niggle. That is why a large number of councils did not go down the private Bill route. Obviously, the City of Westminster has a very well-resourced council—it also delivers one of the lowest council taxes in the country—and has decided that it will go down that route, but it is important to point out that many of the private Bills promoted by local councils to deal with street trading and peddling were encouraged by the City of Westminster Bill, which has acted as a sort of precedent. That is why my hon. Friend the Member for Shipley (Philip Davies) and others will be interested to see what the City of Westminster council thinks of touting. I notice that its Bill includes a lot more information on seizure powers and what to do with the receptacles that are used for street trading, and that it includes some of the powers that were eventually excluded from the Bournemouth Borough Council Act 2010 and the Manchester City Council Act 2010, which were passed following a gentlemanly compromise prompted by the opponents of those provisions.

Some of the developing law is contained in the City of Westminster Bill, which is why Members who are alert to the concerns of individuals who try to eke out a living as street traders or pedlars should be vigilant on their behalf. We want to ensure that oppressive, disproportionate legislation is not introduced under the radar. That is why this evening's debate is important, but I can tell my hon. Friend the Member for Cities of London and Westminster that it is not my intention to press the motion to a Division.

8.17 pm

Mike Freer (Finchley and Golders Green) (Con): First, may I declare an interest as a former leader of a London borough council that had to deal with street trading on a day-to-day basis? My postbag on street trading was far bigger than my postbags on many other areas of council activity.

I should like to address a few of the issues raised by my hon. Friend the Member for Shipley (Philip Davies). I understand the law of supply and demand and the effect of regulation, and that if people are selling things that people want to buy, we should not get in the way. That is fine, but if it were true, we ought to allow drug trading and prostitution to be completely unregulated. My hon. Friend the Member for Christchurch (Mr Chope) is quite right that a revival of the City of Westminster Bill does not stop subsequent detailed scrutiny.

I have risen to support a revival of the Bill because I feel strongly about localism, which is not an à la carte concept. We cannot say that local councils should have the rights and powers to do what they think is right for their areas only as long as we agree with them.

Mr Bone: My hon. Friend makes a powerful point, but the crux of the argument is that we want national legislation to allow local authorities to introduce the right pedlar laws for their areas, and not for councils to have to spend tens or even hundreds of thousands of pounds on private Bills. We may be on the same side in that respect.

Mike Freer: That is quite right. It would be helpful if we could get the Department for Communities and Local Government or whichever is the correct Department to regulate on a national framework. However, in the absence of that, I shall support the city of Westminster in its promotion of the Bill. Those who have to deal with the scourge of street trading know that it is not simply a matter of the touting and the pedlars. The high streets of many major cities—especially the London boroughs—are virtually obstacle courses. One has to dodge not only the normal street furniture, but the goods and services being peddled on the pavements.

I am pleased to see that clause 18(e) deals with disabled access, because many people in wheelchairs or who use zimmer frames—or even families with pushchairs—find it difficult to manoeuvre around the variety of plastic tubs or greengrocery in the high streets. It may sound trivial, but it is not when we are trying to maintain our high streets as vibrant economies. They have to encourage trade while also retaining their attractiveness for local people. If families or disabled people feel that they cannot manoeuvre along their high street, they will go to the major shopping centres, which are regulated. On that basis alone, I support the Bill.

Importantly, the Bill also deals with the detritus of smoking. Many councils spend tens of thousands of pounds cleaning up after smokers. I expect that hon. Members were keen to ban smoking in public places, but they may not have realised the cost that was pushed on to local councils.

The fundamental issue is that if we support localism, we must allow the democratically elected councillors of Westminster to bring forward what they believe is right for their people.

Philip Davies: I appreciate my hon. Friend's point about localism, but if we were to take it to the lengths that he seems to be suggesting, we need not bother having a national Parliament. Does he accept that the duty of Members of a national Parliament is to preserve our freedoms and not just to give carte blanche to any local authority to follow an authoritarian route and ban things that it does not like? We have a duty to defend people's freedoms as well as to defend the principle of localism.

Mike Freer: I accept entirely that this House acts as a check and balance on the powers of local governance, but I also look forward to my hon. Friend tabling a private Member's Bill to legalise or deregulate prostitution and drug dealing on our streets. We cannot pick and choose which freedoms should be traded on our streets.

The City of Westminster and other areas need these powers, not to regulate in a heavy-handed manner, but to revoke the licences of those who seek to cause an obstruction or damage to our local environment. On that basis, I support the revival of the Bill.

8.22 pm

Mr Peter Bone (Wellingborough) (Con): It is a pleasure to follow my hon. Friend the Member for Finchley and Golders Green (Mike Freer) who has experience in his borough of the problem. However, he does not have the experience of listening to the hours of debate in this Chamber. The problem really revolves around the previous Government refusing to bring in national legislation. If that had been done, each of the local authorities could have decided whether they wanted to take powers over pedlars and introduce their own legislation—exactly the localism that we are looking for. What might be right for the City of Westminster might not be right for Wellingborough. We almost teased the last Government into such legislation, so I am looking forward to hearing what my hon. Friend the Minister has to say.

The one aspect that is new to the debate—we did not know about it when we discussed it last year—is the amount of human trafficking of children into London to be pedlars, although it is false peddling as they do not have the licence from 1871. This is such a serious problem that we have seen people imprisoned. A national newspaper recently reported the case of a Romanian father who had sold his daughter to traffickers in this country to go on to the streets and, in theory, to peddle old issues of *The Big Issue*. In fact, that was completely false and bogus. He got four years in prison and served two, and now he is back home in Romania. Similar cases apparently involve thousands of children.

While I welcome the legislation for local councils to make their own decisions on peddling and how the law should be enforced in different areas—although I regret the thousands of pounds it has cost local councils to get to this stage—all the councils seem to have missed the question of what we do with these false pedlars, many of them young children, when it is discovered that they have been trafficked. We have to get to grips with that issue, because the children who have been trafficked over here are not criminals; they are victims of crime. It is a frightening problem and I hope that this Parliament will get to grips with it. That is why I would welcome national legislation.

[Mr Peter Bone]

I shall not oppose the revival of this Bill tonight, but the issue of the children trafficked into this country—especially into London—is one that we need to note.

8.25 pm

Roberta Blackman-Woods (City of Durham) (Lab): May I begin by saying how much I appreciated the speech by the hon. Member for Cities of London and Westminster (Mr Field), who outlined the motion very well? I am aware that the issue before us is whether to revive the City of Westminster Bill so it can complete the parliamentary process started in the previous parliamentary session. A lot of time, effort and expense has been spent on this and the other Bills that we are considering and there is a good argument that we should not waste that by refusing to revive them. The Bills will be scrutinised in detail on their merits during later stages if the motions are passed.

We think that it is important that this Bill and the others that we are considering later are given the opportunity to complete the parliamentary process. In terms of the motion to revive the Bills in this parliamentary session, it is worth noting that the councils in question have demonstrated local support for the Bills, not only by way of council resolutions but through the support of Members of this House and of the other place. Suffice it to say that Westminster city council has made a strong case for this legislation during the passage of the Bill so far.

The main reason for the legislation, as we have heard, is to deal with the regulation of street trading in Westminster and to deal with deficiencies, identified by Westminster city council, in the City of Westminster Act 1999. It contends that, while the 1999 Act has enabled the council to have some success in controlling unlicensed street trading, the Bill would alter—and, the council suggests, would improve—the 1999 Act by giving more flexibility on the designation of licensable areas within which street trading can be licensed: by giving more flexibility in varying existing trading licences; by providing more discretion in deciding whether to allow an application for a licence; and by setting out new general grounds on which the council can refuse to grant a street trading licence, including public safety, amenity of the area, and the suitability of the application.

When this Bill was debated in the other place, Baroness Parks reflected on the importance of having these wider powers to refuse a licence because of the huge number of conservation areas in the City, including large numbers of listed buildings for which more stringent controls might be necessary. However, other measures in the Bill serve to preserve the vitality of markets in the City and, as the hon. Gentleman pointed out, there is nothing in the Bill specifically related to pedlary.

I do not intend to go through the Bill's provisions. I have merely mentioned a few, as I hope that the House can see that they relate to important issues for Westminster council and should be given parliamentary time. The Bill also contains necessary checks and balances, most notably through consultation with those affected, an opportunity for them to make representations to the council, and an appeals system. It should be further noted that opposing views have been expressed too, and obviously these need to be thoroughly debated in the House. Indeed, the point was well made in previous deliberations by my hon. Friend the Member for Manchester Central (Tony Lloyd), who pointed out that although there might be much in the Bills before the House this evening to unite us, legitimate questions should be debated thoroughly and allowed a proper examination. I totally concur with that, and I hope that we can agree this evening to proceed to the remaining stages in the parliamentary process.

Members of the other place also commented on the need to review the law on trading in the streets and selling door to door, with a view to producing national legislation that reflects current conditions. I am sure that the Minister will know that the Department for Business, Innovation and Skills initiated a consultation on national legislation following detailed research on the topic by Durham university. The consultation finished in February 2010. Previous debates demonstrated clear cross-party support for a national framework, which could mean that a large number of private Bills on street trading and related issues are unnecessary. I hope that the Minister has something to say on that matter. I do not always agree with the hon. Member for Christchurch (Mr Chope), but I do agree with him that it would be helpful to move to a national framework as soon as possible. I wonder whether the Minister could tell us how he proposes to move forward on that matter.

8.30 pm

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): We have had a good debate this evening, helped by the experience from previous debates. We have heard from my hon. Friend the Member for Cities of London and Westminster (Mr Field), who opened the debate, and my hon. Friends the Members for Christchurch (Mr Chope) and for Wellingborough (Mr Bone), who are veterans of discussion on this legislation. However, we have also benefited from new experience, on the part of my hon. Friend the Member for Finchley and Golders Green (Mike Freer), who spoke of his local authority days. I also welcome the hon. Member for City of Durham (Roberta Blackman-Woods) to her place and thank her for her contribution.

It is right that I should begin by restating an important procedural point. Traditionally, the Government do not take any view on the content or progress of private Bills, unless they are exceptionally moved to do so. From the speeches that we have heard this evening, I would note—as I am sure other hon. Members would—that there seems to be no real opposition to reviving the Bill. Although I hope to catch your eye and speak in the related debate, Mr Deputy Speaker, at this stage it is right that I should set out a little of the new Government's thinking in this area.

Let me start by saying that, overall, having looked into the issue in some detail in recent days, I personally believe that we need to protect the rights of the genuine pedlar as we look at legislation across the piece—I say that to hon. Members from across the House and to local authorities looking at the issue. The rights of pedlars are traditional rights, going back to the Pedlars Act 1871. Although there might be people engaged in illegal street trading under the protection of a pedlar's certificate, that should be dealt with separately. We should not use a sledgehammer to crack a nut by cracking down on genuine pedlars. They have rights that should be recognised.

The previous Government consulted on the issue, and I hope to be able to publish the Government's response to that consultation within the next two or three months. I can tell the House that about 80 people and groups responded to the consultation, although they had differing views. The Government will reflect on those differing views and provide the House with our thoughts. Therefore, I cannot commit this evening to any particular timing for future legislation, although I can confirm something on which I believe there has been a cross-party consensus: that there is a need for a national framework, as the hon. Member for City of Durham set out and as other hon. Members stated.

Of course we need a national framework, and we need one for two reasons. We do not want local authorities across the country to have to spend tens of thousands of pounds on bringing forward private legislation. It is sensible that the Government should provide a national framework that in no way undermines localism or local responses to local situations. Therefore, although I cannot commit to any particular timing for that, that is certainly the intention, and we will be exploring those opportunities in the time ahead.

Mr Bone: The Minister is making a splendid speech and a splendid announcement. It seems strange that every time a Liberal Minister stands at the Dispatch Box, I find myself agreeing and saying what a wonderful job he is doing. *[Interruption.]* If I reflect on where I am sitting, I get a bit worried. Will the Minister endeavour to let councils know that that is the intention, so that those thinking of introducing legislation can hold back from so doing?

Mr Davey: I note that I am wearing a blue tie and the hon. Gentleman is wearing a yellow tie, which might suggest that this coalition is founded on many things. More seriously, I think he can be reassured that the interested local authorities will be reading *Hansard*; we do not need to spend money on stamps to tell them, as they are quite capable of clicking on the internet to read our deliberations.

Philip Davies: Like my hon. Friend the Member for Wellingborough (Mr Bone), I am greatly encouraged by what the Minister has had to say. If the Government introduce their own legislation on this issue, will it trump the private legislation that local authorities wish to pass; or if the local authorities pass these Bills and they end up being more authoritarian than the Government's proposals, will those measures still stand? It is important to clarify that point before we decide whether these Bills are worth reviving.

Mr Davey: I think my hon. Friend is trying to tempt me to pre-judge the response to the consultation. Tempting though that is, I am afraid that I am not going to accede to the request for an absolutely straight answer—save to say that if the rights of genuine pedlars were embedded in a future national framework, whatever form it took, local authority legislation could well be superseded. When we respond to the consultation and look at future legislation, we will consult local authorities and try to ensure that any legislation is flexible enough to take account of the special concerns of any particular local authorities.

Given the real spirit of coalition behind our exchanges, I would like to answer a particular point raised by my hon. Friend the Member for Wellingborough (Mr Bone). He made an important point about examples of false pedlars being involved in the trafficking of children. I am sure that the whole House will be alarmed to read those reports and will want to know that action can be taken. I am sure that my hon. Friend is well aware that it is not for this legislation or any legislation that might come from it—whether it be a national framework or future private Bills—to tackle that issue. It is a matter for the Home Office, but I can give my hon. Friend an assurance that I will write to Home Office Ministers to bring their attention to this very important matter. At this point, it is right to pay tribute to the former Member for Totnes, Anthony Steen, who I believe retired at the last election, as he campaigned so brilliantly for the rights of women who had been trafficked to this country. It is right for this House and this Government to ensure that we take action on trafficked women. It is not an issue for my Department, but I hope and believe that this Government will want to look at the problem.

Mr Chope: May I say how much I appreciate the fact that the Minister is going to respond to this consultation within two or three months? When we last debated one of these Bills, I think he said that waiting for the framework might be like waiting for Godot. What he has said tonight suggests that he has taken it on himself to push this matter forward, on which I congratulate him.

Mr Davey: I am obviously grateful for any congratulations. I hope that I will not be too Beckett-like in my approach to this matter. I do want to make it clear, however, that we are not promising early legislation in this area, as I would need to speak to my right hon. Friend the Leader of the House about that. If I gave an unduly certain commitment, I am sure I would be called to order, but that is not to say that we do not think there is room to progress action in this area—I shall return to this in my later remarks—as there are other reasons for us to look at this with the degree of gravity that it requires.

The debate has shown the cross-party consensus on the legislation and what the Government need to do in due course to relieve the burdens on local authorities in tackling the issue, to ensure that the rights of pedlars are respected, and to ensure that we crack down on those who are trading illegally on our streets and genuinely causing problems. That is promising for debates to come, and I hope that we make progress with the Bill tonight.

8.40 pm

Philip Davies (Shipley) (Con): I congratulate my hon. Friend the Member for Cities of London and Westminster (Mr Field) on being such a dogged advocate for his local authority and his constituents. I would not want to say that I know his constituency, or what is required there, better than he does.

Mr Mark Field: I would at least do my hon. Friend the honour of suggesting that he knows my constituency better than I know his, but there is a good reason for that.

Philip Davies: That may well be true.

I also congratulate my hon. Friend the Member for Christchurch (Mr Chope), without whose dogged pursuit of the issue we probably would not have reached this stage this evening. We all owe him a great debt of gratitude—certainly, genuine pedlars do, because without his persistence, many bad bits of legislation would have been passed to their detriment. I am sure that we are all grateful that he is here keeping people's feet to the fire to ensure that unworthy legislation is not sneaked through the House.

The Minister's contribution to the debate was especially helpful, although, inadvertently I suspect, it questioned whether the Bill and related Bills are worth reviving. He seems much more determined than the previous Government to see progress on national legislation in this field. If we are to move quickly towards such legislation, it is utterly pointless for local authorities to pursue their own private legislation, which, as he seemed to indicate, may shortly be trumped by a national framework.

Mr Bone: I understand my hon. Friend's point, but national legislation might just be enabling legislation to allow local authorities to make their own decisions. Therefore, there might be some reason to revive the Bills.

Philip Davies: My hon. Friend might be right, on this as he is on most issues. The Minister was at pains to stress that he would not prejudge what the national framework and legislation would be. The question is whether the Bills are worth reviving in light of the fact that the Government will push on with some kind of national legislation. The matter would have been more clear cut if the Government had said that they have no intention of pursuing national legislation, and that it was for local people to make up their own minds through local authorities. The Minister has slightly muddied the waters.

We all believe in the principle of localism. No one argues with that. My hon. Friend the Member for Finchley and Golders Green (Mike Freer) made a forceful defence of localism, and I would tend to share his enthusiasm. However, it is difficult to expect people to know the different legislation relating to peddling as they move from one local authority to another. Certainly, when I am in London, I find it difficult to know which local authority I am in, because there is no obvious boundary between one London local authority and another. It might be clear if one is a resident and can benefit from the low council tax that Westminster city council provides, but otherwise it is difficult to know which part of London one is in.

Mr Mark Field: Let me defend the honour of Westminster city council's cleansing department by observing that the cleanliness of Westminster's streets marks a very obvious distinction between it and, say, Camden or Brent.

Philip Davies: I am sure that my hon. Friend is right. He clearly examines the litter in various London streets in much more detail than I do, and he clearly knows which local authority area he is in, but other people may not. Pedlars may not know whether they happen to be in Lambeth or Westminster: they may not know where one of those areas begins and ends, and which part of a bridge is in which area. When legislation is of such a local nature, it is difficult for people to know exactly what the law is in their area.

Given that the Government are talking about a national framework, and given that—particularly in a city such as London—people may not know which council area they are in, I question whether it is sensible to revive the Bill. However, on this as on so many matters, I take my lead from my hon. Friend the Member for Christchurch. It appears from his remarks that he is satisfied that the Bill is worth reviving. Perhaps he is merely being collegiate and not wanting to cause his colleagues further discomfort or delay, but given that he seems happy for the Bill to be revived for the time being and to be scrutinised later, I will follow his lead. However, I question whether any of these Bills is worth reviving, even if the motion is passed tonight—as I am sure it will be—especially in the light of the Minister's encouraging remarks about a national framework, which is so important in this context.

8.47 pm

Mr Mark Field: With the leave of the House, Mr Deputy Speaker.

We have had a useful and constructive debate, but it has concerned a simple issue of procedure rather than all the aspects of the Bill. I know that my hon. Friends' appetites are whetted by the prospect of the return of a fully fledged Bill following the deliberations in the House of Lords Select Committee on 19 July. I was encouraged by the Minister's support for a national framework, and I thank the shadow Minister, the hon. Member for City of Durham (Roberta Blackman-Woods), for her helpful and praiseworthy comments. I am hopeful that a national framework for pedlars will be introduced.

Let me try to assuage the concerns of my hon. Friend the Member for Christchurch (Mr Chope). I do not believe we should see what is proposed for the city of Westminster, or perhaps even what is proposed in the Bills relating to Nottingham and Canterbury, as a template or precedent. I agree with my hon. Friend the Member for Finchley and Golders Green (Mike Freer) about the importance of localism. I think it right for a framework to exist in relation to issues such as this, but local considerations should then take much more control.

One of the most significant aspects of the debate is that local conditions will change in time. I speak for the centre of London, but I am sure that the same applies to the centre of Nottingham, which has changed beyond recognition in the last generation, and which I hope—as, no doubt, many of its residents hope—will change significantly in the decades to come. We should always be strongly aware of local conditions, and I hope that that will emerge in the detailed debates in which we will no doubt engage in the months ahead when the Bill returns to the House of Commons.

I thank my hon. Friends for their contributions, and wish the Bill a fast journey to the other place for 19 July.

Question put and agreed to.

Resolved

That this House concurs with the Lords in their Resolution.

Canterbury City Council Bill

Lords message (10 June) considered.

Motion made, and Question proposed,

That the promoters of the Canterbury City Council Bill, which was originally introduced in this House in Session 2007–08 on 22 January 2008, may have leave to proceed with the Bill in the current Session according to the provisions of Standing Order 188B (Revival of bills).—*(The Chairman of Ways and Means.)*

Mr Deputy Speaker (Mr Nigel Evans): With this we will also consider the following motion:

That the promoters of the Nottingham City Council Bill, which was originally introduced in this House in Session 2007–08 on 22 January 2008, may have leave to proceed with the Bill in the current Session according to the provisions of Standing Order 188B (Revival of bills).

8.54 pm

Mr Julian Brazier (Canterbury) (Con): I welcome the opportunity to address the revival motion briefly. I shall talk mainly about Canterbury, and I believe that the hon. Member for Nottingham South (Lilian Greenwood) will lead on the Nottingham Bill.

Both Bills were first deposited in the House in 2007, and they were first debated in the House on 21 January 2008. Since then, we have been through two cycles and one previous revival motion. We have spent many hours debating the merits of the Bills on the Floor of the House, and you, Mr Deputy Speaker, would certainly bring me to order if I were to go into that in any detail. I was, however, extremely pleased to hear my hon. Friend the Minister say not only that he sees a long-term future for a national framework in this area, but, crucially, that he sees scope for local variation, because different cities have different issues.

Canterbury's particular problem is that we are the third or fourth most visited city in the country but we have narrow mediaeval-width streets in parts of the centre, and we have a particular problem with large numbers of illegal street traders who operate alongside street traders who have paid £800 each for their licences, with the former frequently causing an obstruction to the public. The Bill's provisions will allow Canterbury city council to tackle the problem not of pedlars peddling but of pedlars acting illegally as street traders, and to do so in a way that is nowhere near as costly and burdensome in terms of officer time, prosecutions and so forth as the current arrangements. In fact, the current arrangements are effectively unenforceable. I was glad to hear the shadow Minister, the hon. Member for City of Durham (Roberta Blackman-Woods), suggest there was room for a national framework and, if I understood her correctly, for local variation. I was delighted, too, that my hon. Friend the Member for Cities of London and Westminster (Mr Field) progressed with his Bill a few moments ago.

I do not want to say any more about the Canterbury Bill, except that I welcome the fact that a number of my hon. Friends made constructive speeches on the earlier Bill and I hope that the same spirit will be exhibited in respect of the Canterbury Bill and, indeed, the Nottingham Bill. I commend this second revival motion to the House.

8.56 pm

Mr Christopher Chope (Christchurch) (Con): I congratulate my hon. Friend the Member for Canterbury (Mr Brazier) on introducing the revival motion, and on trying to seduce the House by not going into much detail about the background and history. If he were to do so, people would be reminded that of the four Bills dealing with pedlars introduced in this House in the last Parliament—there were also two others that started off in the other place—the Leeds and Reading Bills are now in the other place and their revival motions have not been objected to, and I think it would be sensible to put on the record why I did not object to their revival motions, whereas I did object to the revival motions in respect of the Canterbury and Nottingham Bills.

In a nutshell, the reason why I objected to one group of Bills and not the other was because in the last Parliament the promoters of the Leeds and Reading Bills and their respective council officers realised that the best way of making progress would be to have some constructive discussion about the contents of their Bills. That constructive discussion resulted in the equivalent of the clause 5 provisions on pedlars in the Canterbury and Nottingham Bills being significantly amended.

Mr Peter Bone (Wellingborough) (Con): There are a number of new Members in the House tonight who will not quite understand why councils have to come to individual Members in respect of these Bills, instead of their being like Government Bills. Will my hon. Friend expand a little on the procedure so Members can understand what is going on?

Mr Chope: I am grateful to my hon. Friend for his intervention. The short answer is that there is no compulsion at all, but obviously, councils that are in close touch with their council tax payers will want to be able to ensure that the resources they spend are spent wisely. The view was taken in Leeds and in Reading that the provisions in the equivalent of clause 5 of the two Bills in question were not necessary for their areas, which is why they were prepared to have significant amendments. In particular, those amendments recognised that pedlars carrying their goods with them about their person should be able to continue to do so and to display and sell them in the city centres of Leeds and Reading, and to use modest additional trolleys and so on if appropriate. The issue in Leeds in particular was that the trolleys were causing the obstruction, which is why they were prepared to have their Bill amended.

Unfortunately, and despite my best efforts, the opportunity has not arisen to get any compromise out of Nottingham or Canterbury, save that my hon. Friend the Member for Canterbury did agree that when his Bill progressed, he would remove completely clause 11, which deals with touting. Although there was an opportunity to do that in the last Parliament, it was not seized on for one reason or another. I am not criticising my hon. Friend, however. I know he is keen for clause 11 to be removed as soon as his Bill goes before a Committee in the other place. I hope he will also ensure that clause 5, on pedlars, is significantly amended to bring it into line with the Reading Borough Council and Leeds City Council Bills.

Mr Brazier: On the first point, my hon. Friend has of course seen a copy of the letter from the Bill's promoters confirming that they will immediately strike out clause 11, as originally proposed by my hon. Friend the Member for Shipley (Philip Davies). On the second point, I am afraid I can give my hon. Friend the Member for Christchurch (Mr Chope) no such assurance, because of the simple practical fact that, given the circumstances in which we in Canterbury find ourselves, making the same amendment would not leave us with workable legislation. At the end of the process, the situation would be as unworkable as it is at the moment.

Mr Chope: I am disappointed at my hon. Friend's response, but not surprised; a lot of time has been spent in this House trying to tease this matter out. If his Bill is revived, goes before a Select Committee in the other place and the petitions against it are heard, I hope that Members there hearing them will take into account the compromise that has been reached by other councils—including, of course, on slightly different areas, Bournemouth borough and Manchester city councils. Obviously, my hon. Friend—and I, for that matter—will have to accept whatever verdict is reached in the other place when it considers the petitions' merits.

One thing that emerged from what the Minister said in the previous short debate is that the Government will come forward in two or three months with their response to the consultation. I strongly urge Members of the other place to defer convening a Committee to look at the detail of these Bills and the petitions until after they have the Government's response, because the information may be very helpful in enabling them to consider the petitions in detail. So I hope that, for the sake of a month or two, the Bills will be put on hold and that priority will be given in the other place to the Bills that were the subject of the constructive compromise to which I referred. If it is not possible to hear petitions against all the Bills at once in the other place, I hope that the Reading and Leeds cases will be dealt with before the Canterbury and Nottingham ones. That is another reason why I thought it would be helpful to put them on a different time frame by ensuring that we had this debate and that the other ones would already have gone through the other House with the revival motions unopposed.

So that is the background. We, in this House, no longer have any control over what happens to the contents of the Canterbury City Council Bill and the Nottingham City Council Bill. For that reason, the pertinent question raised by my hon. Friend the Member for Shipley (Philip Davies) in the earlier debate is more pertinent in respect of these two Bills—he asked whether the Bills are worth reviving. It remains open to this House to consider the contents of the City of Westminster Bill, but the Canterbury and Nottingham Bills are outwith our control. We have no opportunity to propose further amendments in the light of any suggestions that the Government may make, so we are at the mercy of the good sense of their lordships. To look on the bright side, I should mention that last week I met one of their lordships who is very interested in and concerned about these issues relating to pedlars. He spoke as warmly in support of the principle of pedlary as the Minister has just done, and I am sure that if that noble Lord is involved in the Committee, as I hope he will make it his business to be, the pedlars will receive a good hearing in the other place.

Mr Bone: I just wish to get this point clear in my mind. This is now in the other place, so we may now have only one option tonight if we have concerns about these Bills, on which we have had hours of debate. So if we were to divide and the Bill were not allowed to be revived, would that, in effect, kill the Bill off?

Mr Chope: My understanding is that that would kill the Bill.

Mr David Nuttall (Bury North) (Con): If this is going to be the end of the consideration of these Bills in this place, does that mean that more than 200 newly elected Members will have no say about them?

Mr Chope: My hon. Friend makes a very potent point, and the short answer to his question is yes. One of the extraordinary oddities is that our Standing Orders allow for legislation to be passed on from one Parliament to another, but only in very exceptional circumstances. That does not apply in the case of primary legislation and public Bills; it applies only in the case of private legislation in special circumstances where a strong and compelling case is being made. That is why it is important that when an attempt is made to revive one of these Bills, not just from one Session to another, but from one Parliament to the next, we should have the opportunity to consider it carefully. He makes a powerful point about whether it would not be better to introduce these Bills afresh now with a new House, as could happen, or to pull back and allow the Government to pronounce on the results of the consultation and then introduce whatever legislation might be appropriate. I look forward to hearing him develop his point later in the debate. He is speaking on behalf of many hon. Friends and Opposition Members, including my hon. Friend the Member for Devizes (Claire Perry), who is not in her place at the moment—oh, I see that she is now. I have already spoken about this subject, and one of her constituents is very exercised about what he sees as a persistent campaign over many years to try to vilify pedlars and pedlary. As my hon. Friend was keen to point out, at this time of all times, when an enormous number of people are without work but are eager to try to find work, tonight's short debate gives us the opportunity to promote the case for pedlary. If individuals who are keen to try their hand at entrepreneurial activity get a pedlar's certificate for £12.25, they can try selling goods to members of the general public during the course of the summer season.

Claire Perry (Devizes) (Con): I want to reiterate the point. I, like many new Members, perhaps had an impression of pedlars as people one would not want knocking on one's granny's front door. However, I was impressed by the work of the pedlars' organisation and by my constituent who has shown enormous entrepreneurial zeal in setting up a business, trading legitimately within the law, obeying all the licensing regulations in the cities that he visits and running a thriving enterprise. I want to echo my hon. Friend's point: at a time of high unemployment, I want to encourage such entrepreneurial zeal. The Bills drive out the spirit that we are looking for.

Mr Chope: I am grateful to my hon. Friend for a splendid contribution, and I can see that developing into a major speech later this evening.

Ben Gummer (Ipswich) (Con): My hon. Friend the Member for Wellingborough (Mr Bone) was entirely right to point out that many people now in this place were not cognisant of the previous debates. Without wanting my hon. Friend the Member for Christchurch (Mr Chope) to reprise the content of the debates in the previous Parliament, I would be interested to know whether there had been any discussion of the competition and free market issues that arise. If we control pedlary in one town, what happens in another? My town, Ipswich, might be concerned if pedlary were controlled in one place as that might have an impact on market traders in another place where there was no such control. Will my hon. Friend elaborate on whether that was discussed in the previous Parliament and whether he thinks it should be discussed now?

Mr Chope: My hon. Friend makes an important point, which was discussed in the last Parliament in the context of some Bills. For example, in the context of the Bournemouth Borough Council Bill, I raised it as an issue because I represent the adjoining borough and I was concerned about the knock-on effect of banning pedlars in one town and what would happen in an adjoining town. It has been discussed, but I am bound to say that the promoters of the Bills denied that there was ever going to be a problem. In that respect, there was general denial.

On the point about entrepreneurial spirit, I can remember—with a bit of help from the *Official Report* for 14 January, when we last discussed the Canterbury City Council Bill—drawing the attention of my hon. Friend who was then on the Front Bench to the paper produced by Paul Braidford of St Chad's college at Durham university, which was all about selling in the street and pedlary as a entry route to entrepreneurship. That was an important paper and my hon. Friend the Member for Weston-super-Mare (John Penrose), who was then dealing with such matters from the Front Bench, said that he had seen the paper—because I had only just given it to him—and that he was going through it.

I hope that the Minister has looked at that paper, too. He has obviously mastered it, because he seems to have got the message that although pedlary might be based on ancient statute, it is still a unique activity in our country. It is a national means by which people who want to get out and try their hand at enterprise can do so.

Philip Davies (Shipley) (Con): Does my hon. Friend agree that, when considering whether the Bills should be revived, we should also take into account the fact that the report on street trading and pedlary that he mentioned was produced after the Bills were initially introduced? Would it not make sense for any legislation on this matter to take note of the report by Durham university, which these Bills do not, because they were introduced before its publication?

Mr Chope: My hon. Friend makes a powerful point. So much has changed, in regard not just to the national economy but to the information available on the role of pedlars and pedlary, since the Bills were first introduced in late 2007. Two and a half years have passed, and we must now consider whether we want them to be discussed for a further year or 18 months in the other place, or whether it would be better to have a fresh start. Obviously, some of us are asking whether the Bills are really worth reviving. That is the consideration that we must keep at the forefront of our minds.

Mr Bone: Does my hon. Friend agree that a new aspect has come to light, and that we ought to consider it before making a decision on whether to revive the Bills? It relates to whether these local Bills would interfere with the right to the free movement of labour granted by the European Union.

Mr Chope: My hon. Friend will recall that there was quite a lively debate in the previous Parliament about the interaction of the services directive and the provisions of the Bills. In the end, it was resolved by the then Minister saying that, as far as he was concerned, the legislation would not make any difference and that pedlars would still be able to carry on their pedlary irrespective of the interaction with the services directive. However, my hon. Friend is right to suggest that the matter might not be quite so clear cut.

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): There might well be an issue relating to the services directive that we need to take into account, and I will say a little more about that in my speech. European legislation is actually ahead of the game in this regard, in that it encourages this House to protect ancient rights and ensures that we legislate properly and thoughtfully.

Mr Chope: I am most grateful to the Minister for that intervention. I shall not refer back to exactly what was said in that previous debate, but what he says is a revelation. He is obviously in charge of what is happening in his Department in relation to European legislation, and I look forward to hearing more from him later about the interaction between the Bills and the services directive.

Mr Deputy Speaker, you above all others will know that the issue before us is quite a narrow one. It is a question of whether these two Bills should be revived.

Philip Davies: I hope that my hon. Friend will give some thought as to whether he will take different approaches to the Bills relating to Canterbury and to Nottingham. I know that he was disappointed by an earlier intervention from my hon. Friend the Member for Canterbury (Mr Brazier), but I would suggest that Canterbury has at least made an effort to deal with some of the issues that have been raised, and he will remember that, in the previous Parliament, the former Member for Nottingham East was very unhelpful when it came to telling the House why the Bill was necessary. We now have a far more genial and constructive Member for that constituency, but my hon. Friend will remember that we were never given much of an idea of why the legislation was needed in the first place. Will he take a different approach to each of the two Bills?

Mr Chope: If there were a batting order of unpopularity, Nottingham city council would be top of the league as the most unpopular council promoting a Bill on pedlary. I am not saying that for reasons of prejudice; I am

[Mr Chope]

basing it on the lack of co-operation that was received in the previous Parliament. Not only was there a lack of co-operation, but a sullen silence. The former Member for Nottingham East did not wish to engage. He was so arrogant that he felt he did not need to address the arguments.

Chris Leslie (Nottingham East) (Lab/Co-op): As a proud Member for Nottingham East, I can assure the hon. Gentleman that I am very much in favour of the proposals. Moreover, I can assure him that Nottingham city council and the sponsors of the Bill, whether in this place or the other place, will be more than happy to listen, out of the spirit of consensus, to the carefully crafted points that he is making. We are all keen to make progress on this important issue and to tackle the serious difficulties that exist.

Mr Chope: That is wonderful—a revelation. It has taken two and a half years and a general election, but we now have constructive engagement from the city of Nottingham. I am grateful to the hon. Gentleman for that. I hope he will encourage his city council to engage with the other place in the same spirit, if we grant the Bills a revival tonight. His contribution to the debate—I do not know whether he intends to make a more extensive one later—may be an effective softening-up exercise among some of my colleagues, who may have been taking a rather hard line, encouraged by my hon. Friend the Member for Shipley.

Mr Bone: My hon. Friend is generous. Before I make up my mind whether to support the revival of either Bill, I need to hear about the Bills. Last time we heard nothing about Nottingham. My hon. Friend the Member for Canterbury (Mr Brazier) has been a powerful advocate and has made his point, but we will need to hear from Nottingham before deciding whether to divide the House.

Mr Chope: My hon. Friend makes a powerful point. My hon. Friend the Member for Canterbury went into enormous detail about the situation in Canterbury, so much so that one almost felt that one had been living in the environs of Canterbury cathedral, among the street traders, the pedlars, the tourists and others. We have never had any similar word picture from Nottingham. We had a very effective word picture from Members from Leeds, and my hon. Friend the Member for Reading East (Mr Wilson) did a similar job in relation to Reading. I hope we will have the benefit of a contribution this evening from the hon. Member for Nottingham East (Chris Leslie) so that he can put on the record—

Lilian Greenwood (Nottingham South) (Lab): I will be more than happy to provide a few words of explanation about why Nottingham city believes that the legislation is needed, if the hon. Gentleman will allow us time to do so.

Mr Chope: Fortunately, we have until 11 pm, so there should be plenty of time for the hon. Lady to contribute to the debate. When there are so many Members eager to participate in the debate, there is no need for anyone to speak for longer than is appropriate. I have just set out my stall briefly, but the issues before the House are whether the case has been made for reviving the Bills, taking into account the point about the number of new Members and the fact that new Members—

Mr Nuttall: There is another point, apart from the number of new Members. I understand that in the previous Parliament, some of the Bills reached the statute book. It would be interesting to know whether my hon. Friend has had any representations about the effect, if any, that those Bills that were enacted have had on pedlary in the towns and cities that were so affected.

Mr Chope: That is another good question. I am put on the spot by my hon. Friend. I am not sure whether the Bournemouth Borough Council Bill, which got through in the end, has made any difference at all on the ground in Bournemouth. During the general election I met pedlars from my constituency and from Bournemouth who were having a go at Bournemouth borough council for having wasted so much money on trying to prevent them from carrying on their activities in Bournemouth. If Bournemouth borough council succeeds in stopping lawful pedlars trading in the town, the council and the people of Bournemouth will be the losers, because pedlars bring colour and entrepreneurial activity to the area. Now that we do not have the Member for Bournemouth West from the previous Parliament, and as his successor is not in the Chamber this evening, I can say that the problems in Bournemouth were wholly exaggerated, and it is for the people of Bournemouth to assess whether the amount of money spent on the process was proportionate. I do not know the impact on the city of Manchester and have not done any research into it, but my hon. Friend the Member for Bury North (Mr Nuttall) might wish to initiate some. Indeed, a Select Committee visit to a major city might be helpful.

There are some important issues, and I hope that he will have the chance to hear from the Minister.

Ben Gummer: I am sorry to ask a question that might have been dealt with in detail in the previous Parliament, but for my benefit will my hon. Friend explain whether the Bills offend against any ancient charters of the towns and cities that we are discussing? In Nottingham, there are freedoms given to citizens of the city, on which the hon. Member for Nottingham East (Chris Leslie) will no doubt be able to enlighten us, and in Canterbury there are freedoms under the original monastic charter, which no doubt my hon. Friend the Member for Canterbury (Mr Brazier) will tell us about. I wonder whether the Bills might offend and go against those ancient liberties, which have been granted for so many hundreds of years, and whether the issue has been discussed.

Mr Chope: My hon. Friend has a charming way of making me feel totally inadequate, because, despite detailed scrutiny of the Bills over many hours during the previous Parliament, we never got around to discussing the points that he has raised. Perhaps that was because of a lack of time, or because we did not have the presence of mind to discuss them. However, I look forward to my hon. Friend's contribution to these ongoing debates, because prima facie his points are important and pertinent.

The jury is out on whether we should allow the Bills to be revived, and I look forward to hearing other contributors to the debate.

9.22 pm

Lilian Greenwood (Nottingham South) (Lab): I support the Nottingham City Council Bill, primarily because illegal street trading is a considerable problem in our city centre. The Bill is designed not in any way to prevent legitimate pedlars, but to deal with the problem of illegal street trading.

To provide a flavour of the situation, I should say that in Nottingham city centre there are suitable places for legitimate street trading and legitimate street traders pay fees for the location of their stands. They pay between £1,775 and £7,657 per year, depending on the pitch size, the location and the range of goods. Rightly, those people want to ensure that they do not pay such fees only to find that people who are not legitimate street traders, and have not paid for licences, are taking over their pitches or significantly obstructing the streets and taking trade away from them and from the shops in our marvellous retail area.

Pedlars, by nature, are pedlars: they are meant to be on the move, not sited on stalls that are fixed or fixed for periods. Their phrase should be, "Stop me and buy one," and they should stop only when they sell their goods. In contrast with the amount that street traders pay, which is in the thousands, the cost of obtaining a pedlar's certificate is just £12.25. Many Government Members have talked about the importance of encouraging entrepreneurialism, and pedlary is an opportunity for people who want to make money or get back into work. We do not want to detract from that opportunity to become a pedlar and travel either door to door or around the streets; we want to give people the opportunity to stop and trade, but not in a fixed position.

Mr Nuttall: Has the hon. Lady done any sort of research among people who have street trading licences to see how many of them started off as pedlars and have now moved up the ladder? Pedlars are essentially the seed corn. People who started off as pedlars may well move on to become street traders, and perhaps their next step will be to have their own shop.

Lilian Greenwood: I thank the hon. Gentleman for his question. I can speak only anecdotally in saying that that is not necessarily the case judging by the types of people who are involved in peddling, who often come from outside, including from abroad, in order to sell their goods. This legislation is not intended to prevent people from legitimate peddling—it merely makes a clear distinction between that and illegal street trading.

Mr Chope: Would it surprise the hon. Lady to know that the founder of Marks and Spencer started off as a pedlar?

Lilian Greenwood: As I have said, I do not wish to prevent peddling. Obviously, it is great news to hear that people can go from such humble starts to building up great retail establishments.

This is a procedural motion, so I do not want to debate the merits of these Bills, which have already been examined in some detail. I have been looking at the history of the Nottingham City Council Bill since it was introduced in 2007—it obviously precedes my being in this House—and it is clear that there has already been considerable debate on these matters. I understand that it has been through First, Second and Third Readings in this place and was awaiting its Second Reading in the Lords. As there has been considerable cross-party support for these Bills at each stage in the Commons, and as there has been considerable debate on these matters over the past two and a half years, there is a strong case for their being revived and allowed to complete the parliamentary process.

Mr Bone: I am grateful to the hon. Lady for her speech; she is attracting me towards her point of view. However, could she outline what level of support there is for the revival of this Bill and what organisations in the city support it?

Lilian Greenwood: I am grateful to the hon. Gentleman for asking that question. Unfortunately, I do not have the full details, but I know that it has been debated over many hours, and I am sure that that information was placed before the House at those times. I will be happy to go back and look at that, but I do not have it to hand at this moment.

There is a strong case for looking at this legislation again. It has clearly been subject to a lot of debate, and surely its revival should be allowed in order for it to complete the parliamentary process, with the opportunity for further debate and consideration in the other place.

9.28 pm

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): I congratulate the hon. Member for Nottingham South (Lilian Greenwood) on her speech; several Members across the House will be reassured by what she said. I was born and bred in Nottingham, so I know its streets—the narrow ones and the broader ones. I do not know whether she and the promoters of the Bill are particularly worried about the lace market or the wonderful market square in Nottingham. Perhaps the hon. Member for Nottingham East (Chris Leslie) may wish to enlighten us later on.

I am grateful for this opportunity to respond to the debate. This is the second time that the House has debated reviving the Canterbury City Council Bill and the Nottingham City Council Bill, and I am grateful for the fact that hon. Members have made such lively contributions. During the previous debate, several Members took the opportunity to air their concerns about the national position on the regulation of street trading and pedlars, but they also set out their growing support for these Bills.

Of course, it is fair to say that there have been voices of concern, and hon. Members who have raised those concerns are focusing on at least some elements of the Bills, which they wish to ensure are not unfair to the genuine trader. I have a huge amount of sympathy with that. However, we have heard that there may nevertheless be a case for providing local authorities in general with additional powers for when they experience problems with traders in the streets and feel that they cannot properly deal with them under existing powers. I will of course reflect further on all the views expressed tonight, and all those that we have heard in the consultation, before we come to any final decisions on the need for changes to national legislation.

George Freeman (Mid Norfolk) (Con): I am conscious that this question really requires the presence of my hon. Friend the Member for South West Norfolk (Elizabeth Truss), but is the Minister aware of the pedlar of Swaffham, an ancient and renowned historical figure in the county of Norfolk? I am not aware of his being in my constituency and there are no tales of him—I assume it was a him—coming into Mid Norfolk.

My question, however, is about the regulation of pedlars and whether the Minister would like to mention any issues about the regulation of peddling in modern times. Are there particular issues that we ought to raise with local authorities?

Mr Davey: I am grateful to my hon. Friend. I was not aware of the pedlar of Swaffham, but I was aware of some people who believe that Robin Hood was a pedlar in one of his many guises. No doubt stories abound around the House of pedlars from olden days. Perhaps members of the public following the debate will be more familiar with Del Boy and "Only Fools and Horses", and perhaps they are the people whose needs we should be thinking about—the people today who are trying to earn an honest crust.

We have a balance to strike, as always in legislation. The current national legislation contains powers for local authorities to regulate street trading in their area, a point that is key to the debate. Let us be clear, though, that they are not required to do so; they have only an option to do so. That is the enabling approach that the House has taken to the matter in the past. Of course, there is also legislation dealing with the itinerant traders who can be certified as pedlars. Certification through their local police enables those traders to trade throughout the country.

In considering the legislation on street trading and pedlars that we have been bequeathed there are a number of matters to balance, and they have been aired widely in these debates. The first is the effect of unlawful trading on the livelihoods of licensed street traders and others entitled to trade in the streets, and arguably of static traders in the shops by the streets. We have to consider whether there is scope for the creation of further powers to penalise unlawful traders, which might aid local authorities and their partners in their enforcement role.

I wish to emphasise that we also have to consider the creation and dissemination of guidance on legitimate trading methods for certified pedlars, and clarification for local authorities as they go about their enforcement role under the current regime. I am concerned that some local authorities are perhaps not as clear as they might be about how they can deal with the issue. Perhaps rather than a lot of new legislation, we need to create and disseminate guidance. We will consider that in the consultation.

Claire Perry: On that point, can the hon. Gentleman assure the House that whatever the outcome of tonight's debate and the further debate in the other place, we will strive to put no new laws on the statute book in dealing with this or any other problem, but rather to work within the existing regime and legislation so that we can start to roll back some of the legislative burden of the state?

Mr Davey: I am sympathetic to what my hon. Friend has said, although I should say that hon. Members have called in these debates for a national framework—not to increase the role of the state or impose extra burdens, but to clarify things so that local authorities do not need to come to Parliament to get yet more legislation. That can save them costs. Such a framework would also ensure that there was clarification for pedlars and legal street traders. I assure my hon. Friend that if the consultation and other processes require legislation and we believe that it is necessary, we will not put the heavy hand of the state into the statute book.

Mr Brazier: Is not the problem that all markets are ultimately based on property laws? There is a finite number of pitches. If a council is selling the number of pitches that can be reasonably accommodated in a high street at what is effectively the market clearing price, and others come in who have not paid that price, that effectively undermines what the legitimate street traders have paid.

Mr Davey: My hon. Friend has made a valid point. I have sought in my remarks to make a distinction between street trading, which has a certain definition in legislation, and peddling. There has been confusion, in some areas at least, about how those two activities, which are regulated separately, interact. Through the consultation and what follows thereafter, I hope to give greater clarity on that issue. That will help.

The Pedlars Act 1871 could also be updated. The certification of pedlars, which is currently undertaken by the police service, could become a local authority function. The consultation looked at that issue and we are considering it in detail. In response to my hon. Friend the Member for Christchurch (Mr Chope), I mentioned that we must look at how we ensure that any future authorisation of pedlars as providers of retail services complies with the rule set down in the services dir tive. In case my hon. Friends are concerned that that will import an extra burden from Europe, I should reassure them that doing so will help us ensure that British pedlars can provide their services anywhere in the European Union.

Christopher Pincher (Tamworth) (Con): My hon. Friend mentioned British pedlars, but I would like him to consider the question of European pedlars. Tamworth has a vibrant farmers market: people from Spain, Germany and France go there to sell their wares. The Bill is

"for the better control of street trading in the city of Nottingham."

That reminds me of the quotation from T.S. Eliot:

"Between the idea
And the reality...
Falls the Shadow".

An idea can be great, but ensuring that it works properly in reality can be very difficult. If we pass this legislation, I want to make sure that it does not impinge on those who rightly come to Britain from Paris, Madrid and Munich—

Mr Speaker: Order. On the subject of reality, I should say that the reality is that the erudition of that intervention was equalled only by its length.

Mr Davey: In a former life, you would have enjoyed such an intervention, Mr Speaker, as you were renowned for your erudition. I represent the royal and ancient borough of Kingston-upon-Thames. In a revived marketplace, we enjoy not just farmers markets but a German market; Italian and Spanish traders also come. One of the many advantages of such activity is that it can create a vibrancy in our marketplaces. It is important that local authorities consider my next point, which I wish to emphasise. The fact that additional traders come to sell their goods and services can help the traders already there. If those additional traders improve the vibrancy and vitality of a town centre, it becomes more attractive to shoppers and visitors. It is not at all a zero-sum game.

Mr Chope: Will the Minister sum up the interaction of clause 4 in the two Bills—provisions on street trading and services—and the services directive? Are the clauses made redundant by the directive?

Mr Davey: We will give some detail on that when we publish our consultation. I do not wish to prejudge the final analysis, but I say simply that we know that we need carefully to consider the services directive, and I believe we can respond without undermining the centuries-long tradition of pedlary. I hope that that gives the hon. Gentleman the reassurance he needs.

Mr Bone: Before the Minister concludes his opening remarks, will he reflect on the fact that quite a number of Government and Opposition Members are yet again in the Chamber to consider such legislation, so it is clearly important?

Mr Davey: Many hon. Members have come to the Chamber tonight to listen to the hon. Gentleman and the hon. Member for Christchurch, who are now renowned experts on such matters. They will have many followers and admirers in the honourable profession of pedlary for their efforts.

I was explaining how the new Government wish to pull off the different balancing acts. One issue raised by the Bills that we will consider as we respond to the consultation is the balance between ensuring healthy competition, whether among pedlars, street traders, static traders or ordinary retailers, and safety in congested, narrow streets. I have not heard anyone deny that those are genuine issues, but those who have valiantly defended the rights of pedlars are concerned that too much can be made of safety. They are worried that safety leads to protection by the back door and that it can be used to hinder genuine competition. We need to reflect carefully on that. We want to be sensitive to the different natures of our ancient towns and our more modern towns. We shall seek to strike that delicate balance as we respond to the views that we receive, for which we are grateful.

Jacob Rees-Mogg (North East Somerset) (Con): Is not there always an argument for more regulation and laws, and for taking away the liberty of the British subject? Is it about time that we had a deregulating Government, which I hope the coalition is, who stop piling law upon law upon us? A great and noble Liberal, Lord Palmerston, said that we would run out of things to legislate about, and sadly, that day has not yet come.

Mr Davey: Let me reassure my hon. Friend that my right hon. Friend the Secretary of State for Business, Innovation and Skills and I, and many right hon. and hon. Friends across the coalition, do not seek to burden the statute book with unnecessary legislation. As I said in response to a previous intervention, if we are careful in how we shape our response to the consultation and those genuine issues, we might see some deregulation and actually make it easier for local authorities to manage existing regulation. There are some difficult judgments to make and some of the issues are clearly not as well understood as they might be, so it is the Government's job to give a lead and greater clarification.

The consultation deals with many practical issues. For example, is it sensible that pedlar certificates are available from individual police stations and that it falls to the police to manage the system? If not, then perhaps as discussed in the consultation document the local authorities are better placed, as many of them already license static street traders. Bringing together the systems might assist in reducing some of the burden. Not all local authorities take up the option to regulate street trading, so is it fair on local authorities that have no desire to regulate street trading that we should ask them to certify pedlars, given that we would not want to limit the availability of pedlars certificates geographically? These are the issues with which we are struggling.

Chris Heaton-Harris (Daventry) (Con): I was taken aback by the point that the Minister made about the services directive. I was a Member of the European Parliament when that went through, and we had hours of debate on it. It is one of the bizarre European examples of the law of unforeseen consequences that it should have some bearing on what local authorities do when it comes to allowing pedlars to trade on their streets. When the European Scrutiny Committee looked at the services directive—it wrote a long report on it—did it consider that point? What other unforeseen consequences might flow from that directive?

Mr Davey: My hunch is that those who considered that legislation did not have the issue of pedlars at the forefront of their minds. There has been debate about whether the services directive applies in this area, and I have given my view that it probably does. However, in a way, given the itinerant nature of pedlary, it may be one of the more happy unforeseen consequences, because the entrepreneurial spirit that exists in British pedlary may make them one of our new exports to the continent. I do not see a particular problem. I suspect—although I have done no study—that in French, German, Spanish and Italian towns street trading and pedlary are more heavily regulated, and the services directive may give some extra freedoms where there were none before.

Chris Heaton-Harris: I assure the Minister that in the European Parliament there was no debate on whether pedlars fell within the scope of the services directive, although we discussed many issues and there were battles left, right and centre. The wonderful former Labour MEP for the East Midlands, Phillip Whitehead, who was an assiduous follower of such matters, always used to say that the problem with every European law was not what was at issue, but the unforeseen consequences that flowed from it. This is another prime example of the problem with well-meaning European legislation

[Chris Heaton-Harris]

that works in many areas, but may not do so in this one. In any case, it was not debated in the chamber of the European Parliament.

Mr Davey: My hon. Friend does not surprise me. His point however shows the need for careful scrutiny of the legislation and it is fair to say that the Bills we are considering have had a degree of scrutiny.

I hope that I have been able to illustrate that the Government are sensitive to the different perspectives of the stakeholders involved in these matters and their differing views on how to achieve a fair trading environment on our streets that will ensure that they are joyful places to shop and prosperous places for traders. I hope that I have been able to convey to the House that, while in many respects talk of pedlars and street traders might seem quaint, the issues under consideration are very serious, because they affect the livelihoods of small business people and speak to the type of society and trading environments that we want to promote and to see flourish.

Ben Gummer: In answer to an earlier intervention about the pedlar of Swaffham, my hon. Friend referred to Robin Hood, the most famous son of one of the cities that we are discussing. I wonder whether the over-zealous interpretation of the legislation by councils might take away the vibrancy that the Minister is seeking to promote. What protections in the Bill might the Government wish to bring to bear to ensure that councils do not apply it with such harshness that that vibrancy is denied, thereby preventing any future Robin Hoods from emerging?

Mr Davey: I am grateful to my hon. Friend for that reference to my home town and for the point that he has made. I hope that I have done enough to reassure him and other right hon. and hon. Friends that we are mindful of the possibility of over-regulating—and thereby killing—what ought to be a legal, prosperous and vibrant livelihood. When we respond to the consultation, we will be extremely mindful of the need to ensure that we do not just maintain the status quo, but ideally encourage such entrepreneurialism. My Department is taking note of what people have said in response to the consultation.

Mr Nuttall: There has been a lot of debate about the merits of the Bills, but this evening we are considering whether they should be reintroduced in this Parliament. However, it seems to me that the most important point is the fact that more than 240 Members of the House have had no opportunity, other than in this short debate on a technicality, to consider this important legislation, which strikes at the very heart of free enterprise in this country. I wonder whether the Minister would like to comment on that.

Mr Davey: The hon. Gentleman will know that the procedures for private Bills are unique and somewhat different from those for many other types of legislation. That is why the Government do not normally comment on either the content or the process of private Bills; equally, as the hon. Member for Christchurch (Mr Chope) said, it is why special provision is made for private Bills to continue from one Parliament to the next. I do not know how long that has been the position in our Standing Orders, but it is relatively traditional—it might not be as long a tradition as pedlary, but nevertheless it is not something that we should discard with undue haste.

I want to thank the House for this opportunity to outline the Government's position on these important matters, and I look forward to future debates.

9.52 pm

Roberta Blackman-Woods (City of Durham) (Lab): I do not wish to delay proceedings, so I will be very brief. The Canterbury and Nottingham Bills were subject to extensive scrutiny by the House. A number of Members of this House used the parliamentary process very effectively indeed to challenge the need for the Bills and to question their content and their likely impact on pedlary and street trading. Similarly, the promoters put a great deal of time and effort into setting out to the House the need for the Bills. The Bills passed all their Commons stages, and it is surely only fair to allow them to complete their parliamentary process, bearing in mind that there are opportunities to subject them to further examination during their remaining stages—a point excellently made by my hon. Friend the Member for Nottingham South (Lilian Greenwood).

The Minister is correct that this has been a lively debate, but I hope that we will be able to agree to the revival motion this evening. While I am on my feet, I would like also to thank the Minister for the comments that he made about the Government responding to the BIS consultation and publishing the outcome. I hope—I would like to press him on this point—that that will be a precursor to proposals for a national framework in due course.

9.54 pm

Philip Davies (Shipley) (Con): In the previous debate my hon. Friend the Member for Cities of London and Westminster (Mr Field) said that I knew his constituency better than he knew mine. That certainly cannot be said for the hon. Member for Nottingham East (Chris Leslie), who knows my constituency far better than I know his. I certainly would not want to challenge his knowledge of Nottingham. As you know, Mr Speaker, he was a distinguished predecessor of mine—far more distinguished than I am—and I am sure that most of my constituents would rather he were still representing them than to have the misfortune of having me represent them. The people of Nottingham East are very fortunate to have him on their side in Parliament, and I am delighted to see him in his place this evening.

On the motion of whether we should revive these particular Bills, the main issue revolves around what has changed since they were first introduced. That is what lies behind this debate. It seems to me that three things have changed since these Bills were first proposed. The first, as we have heard in some detail, is the existence of the EU directive, which was never envisaged by the Bills' promoters. It seems bizarre to revive a Bill when it might make absolutely no difference to the cities and towns trying to promote it. That would be the result of it being completely overridden by EU legislation. As I say, that was not envisaged when the Bills were first proposed. It seems absolutely bizarre to me that local

authorities would want to continue spending taxpayers' money in their local areas pursuing something that might be a complete and utter waste of time.

The second thing that has changed since the Bills were first proposed is the excellent report on pedlary and street trading produced by Durham university. It was a very weighty document, which I certainly commend to any hon. Member in this House. It makes the point that pedlars encompass the entrepreneurial spirit that we want to promote. Those who might have thought when the Bills were first proposed that pedlars were a nuisance will, on reading this report, find that their original prejudice was completely and utterly wrong.

The fact that Durham university makes the point so well in its report brings me on to the third thing that has changed since the Bills were first proposed, as I think was touched on by my hon. Friends the Members for Christchurch (Mr Chope) and for Devizes (Claire Perry). They said that since these Bills were proposed, we have suffered a very deep recession, which was not envisaged at the time. Encouraging pedlars and encouraging people to go down the route of peddling is something that this House should encourage people to do in response to the fact that some people are finding it difficult to get a job.

George Freeman: While my hon. Friend is on the subject of things that have changed, does he agree that one of them is that we on these Benches are all in this together? As we pursue a programme to develop and promote the big society, does he agree that each day of the week we find ourselves promoting a different part of society? We have national weeks and days for various things, so should we consider having a national pedlary day to promote the benefits of pedlary, particularly to some of our youngsters and school leavers, as a way of getting into entrepreneurship and small business?

Philip Davies: My hon. Friend makes an excellent suggestion, as he often does. I certainly would not want to challenge him if he wanted to pursue introducing a national pedlars day. Along with my hon. Friend the Member for Christchurch, I would be one of the first to support it. My hon. Friend is absolutely right that we are all in this together, which is something I tell my Whips on a regular basis.

I would like to make some distinction between the two Bills under consideration in respect of their merits for revival. I certainly share the misgivings of my hon. Friend the Member for Christchurch about some elements of the Canterbury City Council Bill, as I think my hon. Friend the Member for Canterbury (Mr Brazier) knows. We must make it clear, however, that the latter has made a valiant effort on behalf of his constituents to highlight to people in this place why this Bill is so important to his area. Although we may not agree on every particular detail of the Bill, my hon. Friend the Member for Canterbury has gone out of his way to do that; he has engaged in the debate, probably more than any other Member sponsoring their particular Bill. I am particularly grateful that he respected the point I made about touting with respect to the original Bill and struck that out in the proposed Bill. I am extremely grateful for the way in which he has dealt so constructively with all these points. On that basis, I am much more minded to support the merits of the Canterbury City Council Bill.

Mr Brazier: May I say that I am indebted to my hon. Friend for pointing out that particular defect? When I explained to the promoters the wide fashion in which those powers could have been used by a successor council of a very different political complexion, they were very concerned indeed. I am delighted to have been able to help on that matter.

Philip Davies: I am grateful to my hon. Friend. His contribution emphasises how constructive he has been throughout the process. I am sure that my hon. Friend the Member for Christchurch is equally thankful. Personally, I would be more minded to allow the Canterbury City Council Bill to be revived.

However, such a constructive approach has been in stark contrast to that deployed in the previous Parliament by the then hon. Member for Nottingham East, who spent barely a minute explaining why the Nottingham City Council Bill was necessary. I am delighted to see the new blood representing Nottingham on the Opposition Benches, and I commend the hon. Member for Nottingham South (Lilian Greenwood) on setting out in far greater detail why the Bill is important for Nottingham. The new hon. Member for Nottingham East also made an intervention that was more revealing than the entire speech made by his predecessor.

Despite that, I am still not sure why the Bill is so necessary to Nottingham that it must be revived this evening. As my hon. Friend the Member for Christchurch made clear earlier, the revival of Bills should be seen not as a right, but as an exception and a privilege. The duty is on the sponsors of such Bills to explain why they are so important before we should consider whether they deserve to be revived. I still have not heard that from Nottingham. Serious consideration should be given to taking a different approach in relation to the Bill for Canterbury from that for Nottingham. Should the House divide on the issue of Nottingham, I would be minded to vote against that Bill.

Chris Leslie: Clearly, I look forward to the private Bills for Shipley and Bradford in due course, and I will be more than happy to contribute on any issues that the hon. Gentleman wants to raise at that point. I assure him that the Nottingham City Council Bill is virtuous. On a revival motion, it would not be appropriate to go through all the details, but it is important to revive the Bill. There are already difficulties in Clumber street in Nottingham because of the tensions between peddling and the activity of legitimate street traders who are already there. The hon. Member for Christchurch has made important points, as has the hon. Member for Canterbury (Mr Brazier) and my hon. Friend the Member for Nottingham South (Lilian Greenwood). I hope that the hon. Member for Shipley (Philip Davies) will be satisfied as to the merits of the Bill for Nottingham.

Philip Davies: I am grateful to the hon. Gentleman. I do not doubt that people in Nottingham view the issue as important, and nor do I doubt his sincerity. Were any private business to be debated for Bradford and Shipley, I am sure that he would decide on the basis of its merits. I hope that he was not suggesting that if I scratch his back, he will scratch mine at a later date. I am sure that I would be wrong in inferring that—he is a fair-minded man and would treat private business for any other place on its merits, irrespective of what happens this evening.

[Philip Davies]

I merely express my frustration that we have not heard a real reason why the Bill is necessary for Nottingham. The Bill will be considered no further in this place, and I am concerned that we have not got to the bottom of why it is needed in the first place.

Lilian Greenwood: I would like to say a little more about why the Bill is necessary in Nottingham city—not all Members will be as familiar with it as the Minister is. Nottingham has a strong retail sector—it is one of the best cities in the country for shopping. One part of the city, Clumber street, between the Old Market square and a large shopping centre called the Victoria centre, is, I believe, one of the busiest pedestrianised shopping streets in the whole of Europe. On a Saturday when one is trying to get from one place to another it is incredibly crowded.

One of the problems is an activity which, although Members might want to call it peddling, is actually illegal street trading. People set up small stalls—they are not pedlars walking from place to place waiting for people to stop them and buy—

Mr Speaker: Order. I am learning quite a lot about the geography and high streets of south Nottingham, and that is a matter of considerable interest, but it had been my impression that the hon. Member for Shipley (Philip Davies) was still making his speech and was giving way to an intervention. I think we will now let him respond to it.

Philip Davies: Thank you, Mr. Speaker. Obviously I accept your ruling, but the hon. Member for Nottingham South was being extremely helpful in at least setting out the case for why we need the legislation, and I think we are all grateful for that. It is just a shame that this is the first occasion on which we have heard any of these matters discussed.

I do not wish to cover ground that was covered during the debate on the City of Westminster Bill, but I must return to one point. The Minister made a second very helpful speech earlier, and I commend his comments and the approach that he has taken. He is still indicating that the Government wish to introduce a national framework by some means, and I still do not see any point in reviving private business for particular towns and cities when it seems that the Government, in good faith, are going to make some provision in that regard anyway.

I ask the sponsors of the Bills whether what the Minister has said today—which was much more proactive than anything that we heard from the last Government—has made them change their minds. I entirely understand why, during the last Parliament, people were keen for these private Bills to proceed, because the Government kept saying that they were going to do something and then never did. I have much more confidence in this Minister. I think it far more likely that he will proceed with something much more sensible in a much more timely way, and I think that in the light of what he has said, we should question whether we need to revive the Bills.

I do not wish to detain the House, which has debated these matters for some time, but the issues are important. Again, I commend my hon. Friend the Member for Christchurch, who has made a fantastic contribution. Without him, we should not have seen any concessions. I shall leave this with him. I shall be happy to follow his lead, and I shall give some thought to whether these Bills should be treated differently. However, I hope that when they go to the other place—if that happens—they will receive the scrutiny that they deserve, and that we will celebrate pedlars who are trying to make something of their lives rather than attempting to do them down.

Vernon Coaker (Gedling) (Lab): On a point of order, Mr. Speaker. I wonder whether any Education Minister has approached you following our discussion on the statement made earlier today about the future of the Building Schools for the Future programme. You were in the Chair, Mr. Speaker, and you may recall that there was considerable discussion about the propriety of what the former Secretary of State for Education had done with respect to capital expenditure, about whether the previous Government's proposals had been affordable and, indeed, about whether the former Secretary of State had acted in a way that was consistent with Treasury rules.

If you remember, Mr. Speaker, the former Secretary of State asked the Secretary of State if we could have a letter from the accounting officer—in other words, the permanent secretary to the Department for Education—stating whether the former Secretary of State had acted appropriately with respect to capital expenditure, and whether he had received a ministerial direction. As you know, Mr. Speaker, he would have had to receive such a direction had the former Secretary of State acted in a way that was inappropriate with respect to that money.

We now have that letter, which I shared with you, Mr. Speaker. I will not read all of it, but it describes the ways in which end-of-year flexibility and decisions on capital expenditure were handled, all of them appropriately. The last paragraph states,

> "If any actions on this, or any matter, were in breach of the requirements of propriety or regularity, I would have sought a ministerial direction. I can confirm that I made no such requests during your time as Secretary of State."

The issue is extremely serious, Mr. Speaker, and I wonder whether you have had any request from an Education Minister to explain it to the House.

Mr Speaker: The short answer to the hon. Member for Gedling (Vernon Coaker) is that I have had no request from a Minister to make a statement on the matter. The second point I would make is that he has clarified the position in terms of his understanding and in defence of the former Secretary of State, and as he will know as he is an experienced Member who has been in the House for 13 years, his views are now clearly on the record.

10.10 pm

Mr Peter Bone (Wellingborough) (Con): I am glad to follow my hon. Friend the Member for Shipley (Philip Davies), but after that rather long point of order I wonder whether we should reprise what we have covered so far, perhaps for half an hour or so, to get us back into the swing of our debate about pedlars. Time is short, however, and we want to reach a conclusion tonight.

I want to put on the record that if it were not for my hon. Friend the Member for Christchurch (Mr Chope), we would not be here tonight. His forceful and persistent standing up for the right of a minority of people in this country is to be welcomed.

The decision the House has to make tonight is whether to support the revival of these Bills. In principle, I am against reviving Bills. I start from that basis, because if a Bill's promoters have not been able to get it through since 2007, perhaps there is something wrong with it.

That is where I start from, therefore, but there are other issues. First, I believe we should listen to the Members who represent the constituencies where the Bills are being promoted. I commend in particular my hon. Friend the Member for Canterbury (Mr Brazier) because he has attended every debate I have been at on the pedlar issue, and he has always represented his constituents with great zeal. I appreciate that, and I note that he has made it clear to the House that the promoters have listened and will remove clause 11 from the Canterbury Bill. Although I have some concerns about clause 5, at least there has been some movement, and I understand that the Bill still has to be discussed in the other place. I am therefore inclined to say we should support the Canterbury Bill because of the local input and that movement. That is the way things should happen, and I am grateful to my hon. Friend for what he has done.

I cannot, however, say the same about the Nottingham Bill. The two new Members, the hon. Members for Nottingham South (Lilian Greenwood) and for Nottingham East (Chris Leslie), have done their best tonight, but in the previous Parliament I sat through many hours of silence from Nottingham Members, and I am not entirely convinced that I know enough to say that the people of Nottingham want this Bill. I intervened on the hon. Member for Nottingham South when she was making her speech to ask what the feeling is in the city. Is there great demand for this in Nottingham? Which organisations want it? Does the council want it? Are people marching in the street demanding that pedlars be removed? I was also a little concerned that it sounded slightly as if this was a money-making exercise for the council, with huge fees for sites.

There is another issue that worries me about the revival of these Bills. My hon. Friend the Minister has made it clear that there may well be a national framework in a number of months, and it seems that if we stop the Nottingham Bill no more money will be spent by that council—no more taxpayers' money will be wasted. Also, if the European Union, that wonderful organisation for which I only have praise on so many occasions, is actually ahead of the game, then that is good. We have to weigh these issues up in our minds in deciding on these matters.

Chris Leslie: I am sure that the hon. Gentleman cannot be distinguishing between the Nottingham and Canterbury Bills on the basis of the different political complexion of the Members concerned. I am sure that that would be entirely wrong and inappropriate. However, I assure him that, as elucidated in previous debates, there are strong reasons in favour of the Nottingham Bill, so I refer the hon. Gentleman to the previous debates.

Mr Bone: I am very grateful to the hon. Gentleman for that helpful intervention. Had he been a Member of this House for a little longer, he would know that I am just as critical of my own side on many occasions.

The other issue we must take into account is whether the new Parliament has a right to discuss this Bill.

Mr Chope: Does my hon. Friend think that Nottingham city council has indicated tonight through its Members of Parliament a willingness in any way to compromise on the Bill's content? If there is such a willingness, it might cause people not to want to vote against its revival.

Mr Bone: I am very grateful for my hon. Friend's intervention. The interventions from the Nottingham Members have been quite helpful in determining the House's view, and if a Member from that area wanted to leap to their feet to intervene—

Lilian Greenwood *rose*—

Mr Bone: Ah.

Lilian Greenwood: I am sure that those in Nottingham would be very happy to have further discussion and to approach the issue in a spirit of compromise. This is an important Bill for our city, and I would be happy to talk at length another time about the many reasons why we need it.

Mr Bone: I am very grateful to the hon. Lady for that most helpful intervention.

Philip Davies: I hope my hon. Friend agrees that we might allow Nottingham the same benefit as that given to Canterbury, in the light of the hon. Lady's extremely helpful intervention, of the constructive nature of the comments of both Nottingham Members, and of the willingness to negotiate and discuss this issue in more detail.

Mr Bone: I am grateful to my hon. Friend for his intervention; I was actually coming round to that view myself. The interventions have been most helpful, and it does show that argument in this House can win the day.

I have to commend the Liberal Democrat Minister; I think he is almost now a Tory Minister, given the way he is performing. He is doing exceptionally well. I point out, just so the House knows, that it is a credit to this coalition Government that there is no whipping on this side of the House. We are entirely free to do what we wish—on almost everything, but certainly on tonight's business. That is in contrast with what happened in the last Parliament, on occasion, when private business was discussed here, when I felt that the heavy hand of the Government Whips was behind some of the things that happened.

10.18 pm

Mr Brazier: We have had a most interesting and entertaining debate; it has been a remarkable evening. To hear my hon. Friends the Members for Shipley (Philip Davies) and for Wellingborough (Mr Bone) praising the EU is something I never thought I would hear in my whole political career. We have heard my

[Mr Brazier]

hon. Friend the Member for Christchurch (Mr Chope) being brief, which is tremendous, and we have heard the Minister set out clearly that this is an area in which there is a case for a national framework and for local variation. I do not think it an exaggeration to say that Opposition Front Benchers broadly took the same position.

The practical fact is that there is a split on two very simple issues: first, on whether this is a question of unfairly regulating a struggling group of business men, or of protecting property—the finite number of slots on overcrowded high streets—for which another group has actually paid; and secondly, on enforcement.

We have taken some 14 hours in total on these two Bills. I am most grateful to all my hon. Friends who have spoken tonight for indicating that they intend to let the Canterbury Bill go forward—and, I hope, the Nottingham Bill, which has the same merits. I am grateful to the House for an interesting exchange, and I am profoundly relieved that these Bills will now go to another place and hopefully not re-emerge here—with the solitary exception of the one Lords amendment on which I made a commitment to my hon. Friend the Member for Shipley.

Question put and agreed to.

Ordered,

That the promoters of the Canterbury City Council Bill, which was originally introduced in this House in Session 2007–08 on 22 January 2008, may have leave to proceed with the Bill in the current Session according to the provisions of Standing Order 188B (Revival of bills).

NOTTINGHAM CITY COUNCIL BILL

Lords message (10 June) considered.

Ordered,

That the promoters of the Nottingham City Council Bill, which was originally introduced in this House in Session 2007–08 on 22 January 2008, may have leave to proceed with the Bill in the current Session according to the provisions of Standing Order 188B (Revival of bills).—*(The Chairman of Ways and Means.)*

North Tees and Hartlepool NHS Foundation Trust

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Goodwill.)*

10.20 pm

Alex Cunningham (Stockton North) (Lab): Thank you, Mr Speaker, for allowing me to speak on this subject this evening in my first Adjournment debate. I am only sorry that it must focus on such a seriously worrying subject. I had hoped to have more time for this debate, but my learning about this place has taken a huge leap forward. I have learned tonight that Conservative Members appear to have more interest and certainly more expertise in the activities of pedlars and Robin Hood than they do in the health of the nation.

I called for this debate in the light of the statement made to the House by the Chief Secretary to the Treasury on 17 June that the new hospital to replace the North Tees and Hartlepool university hospitals will no longer receive Treasury funding. As a former non-executive director of the North Tees and Hartlepool NHS Foundation Trust, I was closely involved in the planning of future health care for the area over some considerable time. This was not a project rushed through to beat a deadline, but one that was carefully planned over years. I will address that in more detail this evening.

This hospital would have served local people from a number of constituencies, not just my own but others including Stockton South, Hartlepool, Easington and Sedgefield, and I am pleased to see colleagues from those areas in the Chamber tonight. I know from speaking to other Members, at least those on this side of the House, that there is huge disappointment, but little surprise, that the coalition has already begun slashing spending on front-line services. It is already abundantly clear that this programme of deep cuts will have a serious impact on people in Teesside and the north-east.

I wish, first, to set out the background to the decision to build a new state-of-the-art hospital to serve our communities, which was planned to open in 2015. Although the Chief Secretary was correct in saying that final approval for this £464 million project was granted in March, the project has been on the drawing board for more than five years. It dates back to a 2005 report by eminent clinician Professor Sir Ara Darzi on acute services in Hartlepool and Teesside. In 2006, an independent reconfiguration panel report stated that

> "a modern hospital to replace the existing out of date hospital buildings should be provided on a new site in a well situated location accessible to the people of Hartlepool, Stockton-on-Tees, Easington and Sedgefield."

I had cause to visit one such modern hospital this weekend, and I wish to place on record my personal thanks—I hope that the Minister will join me in this—to the plastic surgeons and the staff of ward 35 at James Cook university hospital for their care and expertise, and for saving my finger.

Let us be clear that the two hospitals that currently serve our communities operate to the best of their abilities and have excellent staff. However, the hospitals are showing their age and must be replaced if we are to maintain and improve health services in our area. I want my area to have the same modern facilities that I benefited from over the past couple of days.

Mr Iain Wright (Hartlepool) (Lab): I congratulate my hon. Friend on securing this debate, which is very important to a large number of hon. Members. Will he confirm that the whole driver for this reconfiguration has been a clinically led approach—led by eminent doctors and surgeons—and that the decision made by the Chief Secretary takes us back to square one, with no plan B?

Alex Cunningham: I certainly agree with that. I know that it is the view of clinicians and other health professionals that it will be impossible to sustain two hospitals with the full range of services and facilities needed to serve our communities. Indeed, patients in our areas have to access different services at the two different sites, which are 14 miles apart.

The new hospital was to be a vital element of wider health care reform in our region and would have delivered clinically sustainable hospital services in the single hospital while delivering a much wider range of services in the community much closer to people's homes, including three new integrated care centres in Billingham, Hartlepool and Stockton. There is no doubt that there has been some controversy about the plan to build one "super hospital" to replace the two outdated ones, as well as unease among some in the community about the location chosen. I firmly believe, however, that the plan would have provided improved services for local people and that it is ultimately the right plan for the NHS trust to pursue.

James Wharton (Stockton South) (Con): I am grateful to the hon. Gentleman for giving way. I also note with interest that he is perhaps the first hon. Member in the history of this House to brandish his middle finger at Mr Speaker and to receive no reprimand for it.

The hon. Gentleman has acknowledged that the hospital's location between two communities is somewhat controversial locally. The representations that I have received from my constituents have, almost without exception, praised the Government's decision and criticised the proposals for the hospital at Wynyard. Let me read him one short example of an e-mail that I received only the other day:

> "The decision is a sensible one. Leaving aside the reckless economic folly of committing funding the country does not possess and blatant politicking by Labour in promising such funding in marginal constituencies the truth is that this hospital was vehemently opposed by a significant number of local people on grounds that it was geographically in the 'wrong' place for both communities, had no public transport links and would seriously affect A19 and A689 traffic flows".

Does the hon. Gentleman accept that the views of his constituents and mine are mixed, at best?

Alex Cunningham: These issues were extensively explored with the public. There was detailed and extensive formal and informal consultation involving public meetings, leaflet drops to households and a radio campaign. The Government had promised additional funding to tackle some of the transport issues and communities across the place were in favour of the hospital.

I must outline why the new hospital should remain a priority for the new Government.

Grahame M. Morris (Easington) (Lab): I congratulate my hon. Friend the Member for Stockton South—*[Interruption.]* I am sorry—we will get that one next time. I congratulate my hon. Friend the Member for Stockton North (Alex Cunningham) on securing this debate. People in my constituency and the five others that were to have been served by this new hospital need to know why this project was cancelled when three other schemes elsewhere in the country were approved. The Minister is being coy in his written answers to questions, but we really need answers. The need remains. Issues of health inequality need to be addressed. I want to place it on record that south Easington, which would be served by this new hospital, is one of the most deprived communities in the United Kingdom, as identified by the indices of multiple deprivation. Health inequalities still play a significant role in determining life expectancy and quality of life. Health inequalities remain a big issue: they are inequalities not just in terms of outcomes but in access to health care resources—

Mr Speaker: Order. May I say very gently to new Members, whose passion for this subject I respect, that although the hon. Member for Stockton North (Alex Cunningham) is showing great forbearance there is a difference between a speech and a short intervention?

Alex Cunningham: Mr Speaker, I agree with the long intervention and the facts laid out by my hon. Friend the Member for Easington (Grahame M. Morris).

In Stockton-on-Tees, just over a quarter of residents live in some of the most deprived areas of England. Early deaths from heart disease and stroke and from cancer are higher than the England average. Inequalities are starkly demonstrated by the fact that a man living in one of the least deprived areas of Stockton can expect to live just over 10 years longer than a man living in one of the most deprived areas.

Since 1997, however, early death rates from heart disease and stroke have fallen markedly and early death rates from cancer have also fallen, albeit more slowly. We have also seen a narrowing in the gap between our area and the rest of the country. Things are improving for my constituents, and my concern is that the coalition's decision will see a halt to and possibly even a reversal in these positive outcomes. The NHS is too important to be turned into a party political football, however. Those listening to this debate back in the north-east this evening do not want to hear us point scoring. I have heard you say yourself, Mr Speaker, that that is the sort of behaviour that turns people off politics and politicians.

I wholeheartedly welcome the commitment shown by the Prime Minister and his party to the NHS, and I would like to draw the attention of hon. Members to a statement that he made during the election campaign. He said:

> "The test of a good society is you look after the elderly, the frail, the vulnerable, the poorest in our society. And that test is even more important in difficult times, when difficult decisions have to be taken, than it is in better times."

I could not agree more with the Prime Minister's statement, but I fear that his words are not being followed by his actions. As we all know, it is all too easy to make promises in politics. The real test is whether we stand by our word once the votes have been counted.

During the election campaign, the Conservative party claimed that it was now the party of the NHS. I doubt very much that people who went to the ballot box on 6 May and put a cross next to the name of their

[Alex Cunningham]

Conservative candidate thought that the right hon. Member for Witney (Mr Cameron) would be authorising the cancellation of a long-awaited new hospital just weeks later. We all acknowledge that cuts have to be made to reduce the deficit, but this is a much needed front-line service, and I will not stand by and let this project disappear without a fight.

Of course, 6 May gave us not a Conservative Government but a Liberal Democrat and Conservative coalition, so I urge Members to refer to the document "The Coalition: our programme for government", which states:

"We are committed to the continuous improvement of the quality of services to patients."

Again, I warmly welcome that statement, but I fear that when push comes to shove, it will mean very little to my constituents and those in neighbouring areas. This coalition seems intent on cutting spending without fully realising the human cost of the cuts. This decision is a backward step for the communities that would have been served by the new hospital, and it does not tally with the Prime Minister's claim that the Conservatives are now the party of the NHS or with the coalition's document.

Since the announcement on 17 June, I and other Labour Members have met the chair and chief executive of North Tees and Hartlepool NHS Foundation Trust. They are understandably extremely disappointed that, after the many years of hard work creating and fine-tuning the plans for the future of health services in our region, those plans have been sent back to the drawing board. It is not only the foundation trust that is unhappy with the decision: on Saturday 26 June, other Members and I attended a rally in Hartlepool to highlight local opposition to the decision, which grows by the day.

I have also received encouraging support for early-day motion 273, which asks for a review of the coalition's decision. To date, it has received 42 signatures—regrettably, only from Members on this side of the House. I hope that it will not only be Labour Members arguing this evening that their constituents should not lose out after waiting so long for an agreement on the future of health care in our area.

One of the key questions that I hope the Minister will answer this evening is why this particular project has been scrapped. The Chief Secretary to the Treasury said in his statement to the House that his decision to cut £2 billion of public spending, including on our new hospital, was guided by a principle of fairness. At the moment, we feel as though we have been subject to an arbitrary decision. I have yet to hear any persuasive argument as to why people in the north-east have had their new hospital withdrawn while schemes such as the Royal Liverpool hospital, the Pennine acute hospital and the Epsom and St Helier hospital are going ahead. What advice did the Minister receive from his Department that led to the conclusion that the North Tees and Hartlepool project did not represent value for money, compared with the other projects?

The Chief Secretary to the Treasury told the House on 17 June that our new hospital was

"assessed against a number of other major build projects that were at the same stage of development; those schemes are more urgent."—[*Official Report*, 17 June 2010; Vol. 511, c. 1051.]

I would appreciate a little more clarity from the Minister about what was meant by that statement, and I request that he publish the criteria used and the detailed comparisons carried out against the project. The North Tees and Hartlepool project was, according to my right hon. Friend the Member for Leigh (Andy Burnham), the top priority for the NHS. We would like to know why it has slipped down and out of the queue.

In answer to my question on 29 June about the strategy developed by the foundation trust, the Secretary of State for Health did not rule out other ways of making our new hospital happen. I noted that he said it needed to fit his new criteria and that the trust should not ask the Department of Health to meet the whole capital cost of whatever it proposes. Does that mean that some funding could be made available and the balance raised by the trust using its existing powers?

I urge the coalition to work with Members on the Opposition Benches as well as with the foundation trust to look at new and innovative ways of funding the project and ensuring that local people are not left behind. Will the Minister confirm that more time invested in developing a new solution to fund the new hospital will not be a waste of time, and that he and his coalition partners have not set themselves against any new hospital in our part of the country?

If we do not find a solution and build a new hospital, what will happen? The chief executive of the North Tees and Hartlepool NHS Foundation Trust has publicly acknowledged that there is a chance that Hartlepool hospital could close, whether or not a new hospital goes ahead. I know that my hon. Friend the Member for Hartlepool (Mr Wright) is extremely anxious about that. We could end up with one hospital. I want it to be a new one.

There is much more at stake than just health care and a new hospital. The location for the hospital was Wynyard park, a 700 acre high-end mixed-use development accommodating residential and business properties.

Phil Wilson (Sedgefield) (Lab): I congratulate my hon. Friend on achieving the Adjournment debate. I shall be brief. I expect the point that he intends to make is about added value arising from the project. The business park would have attracted high-value private sector jobs in medical research in an area that needs them. They would have reached the site as a result of the £10 million that would have been introduced into the transport system.

Alex Cunningham: Exactly. The new hospital would have kick-started development in the area, creating many thousands of jobs. The owners of Wynyard park believe that the new hospital would have been a considerable incentive for investment by others to develop the type of industries mentioned by my hon. Friend. Most important of all, the coalition's decision to scrap the new hospital will have a major detrimental effect on continuing the work to close the gap between the unhealthiest and healthiest in our communities.

I am therefore grateful to the Minister, who has agreed to a request from my hon. Friend the Member for Easington (Grahame M. Morris) for a meeting to discuss how we can keep our hospital project alive. I look forward to the meeting to discuss the way forward and will listen intently to his response this evening, in

the hope that the door to funding is not already firmly closed. At present there are many more questions than answers about the future of acute services in our region. What is the future of health care, of our strategy for a new hospital, and of the organisations, such as the foundation trust, that plan care? There is so much doubt.

Roberta Blackman-Woods (City of Durham) (Lab): Does my hon. Friend agree that that meeting is an important opportunity for the coalition Government to demonstrate some commitment to reducing health inequalities in the north-east, tackling deprivation and supporting a new hospital?

Alex Cunningham: Most certainly. The project is also about jobs and tackling deprivation. Tremendous progress has been made on health inequalities in our area, and I want to see that work continue. The good people of Stockton, Hartlepool and the surrounding areas deserve better than this, and I can assure the Minister that my hon. Friends and I will fight passionately to ensure that they are not left behind.

10.38 pm

The Minister of State, Department of Health (Mr Simon Burns): I begin by congratulating the hon. Member for Stockton North (Alex Cunningham) on securing the debate on the future of the North Tees and Hartlepool NHS Foundation Trust and its hospitals. I join him, with the greatest pleasure, in congratulating clinicians, GPs, ancillary workers and all those who work so hard on Teesside, in the north-east and in the rest of the country to provide a first-class quality health care service for the people of this nation.

The decision to cancel the North Tees and Hartlepool NHS Foundation Trust proposal has to be seen within the context of the wider economic climate. This year's budget deficit of £155 billion—inherited, I gently remind Opposition Members, from the previous Government—illustrates the scale of the economic challenge facing this Government. As part of this Government's determination to face that challenge head on, the Treasury and other Departments have reviewed every significant spending decision made between 1 January and the general election on 6 May. As the proposed new hospital scheme at the foundation trust received the previous Government's approval only in March, the North Tees decision formed part of that review.

In these tough economic times, it is essential that all major hospital building schemes be affordable. On 17 June, as the hon. Member for Stockton North rightly said, my right hon. Friend the Chief Secretary to the Treasury announced to this House the decisions of the Government's review of spending commitments. The review cancelled 12 projects throughout Government and considered four major NHS capital investment schemes with a total capital value of more than £1.2 billion.

The size and funding of the schemes were considered in relation to the nature of the organisations concerned. The aim of granting foundation trust status is to give such bodies greater financial independence. As well as being able to keep any internally generated resources, foundation trusts have greater freedom to borrow from either the public or the private sectors, and, by requiring an allocation of public dividend capital from the Department of Health of more than £400 million, the proposals were not consistent with that financial independence.

Mr Iain Wright: What local clinical advice did the Minister and his ministerial team take prior to the decision to scrap the new hospital?

Mr Burns: If the hon. Gentleman waits, as I develop my argument I shall continue to explain the reasons for cancelling the scheme within the public spending review.

Treasury and Department of Health Ministers, myself included, decided that, overall, these factors—affordability within the changed economic climate and the foundation trust status—weighed more against the scheme for North Tees and Hartlepool than against the other three schemes for the Royal Liverpool and Broadgreen University Hospitals NHS Trust, Epsom and St Helier University Hospitals NHS Trust and the Royal National Orthopaedic hospital. For those reasons, the Government withdrew their support for the scheme.

If I may, I shall just answer one question that was mentioned in an intervention on the hon. Member for Stockton North. The question was, "Why North Tees and Hartlepool and not the three other schemes?" After looking into the situation, we found that, for example, the Royal Liverpool university hospital building is not compliant with fire safety regulations, and that its mechanical and engineering services are more than 30 years old and at increasing risk of failure. Some 94% of St Helier hospital's buildings are more than 50 years old, and the 2007-08 data show that the total maintenance backlog for the Royal National Orthopaedic hospital is £53.8 million; for Epsom and St Helier it is £23.8 million; for the Royal Liverpool it is £16.3 million; and for North Tees and Hartlepool it is £3.5 million.

Grahame M. Morris: On the point about affordability and the Minister's suggestion that the foundation trust look towards PFI, how would such a proposal be more affordable when the evidence suggests that PFIs are 14 to 20% more expensive to deliver? The need certainly exists, and we need to deliver quality health care, but affordability suggests that the public purse is the best way to do it.

Mr Burns: I am very grateful to the hon. Gentleman. Earlier today, his right hon. Friend the Member for Leigh (Andy Burnham) made the point that it would be cheaper to have a new hospital than to maintain the existing two ageing hospitals. I do not believe that that is accurate. The business case actually showed that the whole-life costs of continuing to operate and provide services from the two hospitals were very similar, but slightly lower than the whole-life of costs of operating and providing services from the proposed new facility. Over the appraisal period of 35 years; the total net present cost—that is, the whole-life cost—of building, maintaining and operating the new facility was £5.033 billion, but the cost of repairing defects, maintaining, operating and providing services from the two existing buildings was £5.024 billion.

However, the North East strategic health authority, Hartlepool primary care trust and Stockton-on-Tees primary care trust have pledged to continue working closely with North Tees and Hartlepool NHS Foundation

[Mr Simon Burns]

Trust to plan and develop the best possible health services for the local population of Hartlepool and North Tees. I understand that the chief executive of North Tees and Hartlepool NHS Foundation Trust is currently reappraising the available options. As I have said, NHS foundation trusts have greater financial independence, which includes consideration of the private finance initiative. I am advised that the chief executive of the trust has already said that the PFI is one of the options that he is looking at, but any new proposals must be realistic, affordable and provide value for money. I cannot in any way give any guarantees that such a scheme would or would not be approved. Like all schemes, any proposals that might come forward would have to be considered on its merits and in the light of the economic climate at that time.

The local health economy is also ensuring that the wider momentum project, which involves bringing health care services closer to communities, will continue. I am delighted that on 10 May this year, the new integrated care centre known as One Life Hartlepool, located in Hartlepool town centre, opened its doors to patients. Hartlepool primary care trust has transferred a range of community services into this new £20 million facility. The PCT is working with North Tees and Hartlepool NHS Foundation Trust to agree a programme for moving a range of out-patient services into the building. In addition, work is continuing on the outline business cases for integrated care centres in Billingham and Stockton.

In conclusion, any new proposals to develop—

Alex Cunningham: Will the Minister give way?

Mr Burns: I am very short of time, but yes.

Alex Cunningham: I have just one question. Will the funding for those two centres in Stockton and Billingham be guaranteed?

Mr Burns: As I understand it, the finance is in place, and I assume that the measures will proceed on that basis.

Any new proposals to develop local NHS services must be affordable, but they must also now take into account the further criteria on service reconfiguration recently set out by my right hon. Friend the Secretary of State. I believe that it is vital that any proposals focus on improving patient outcomes, are based on sound clinical evidence, increase choice for patients, and have the backing of GP commissioners. I, like the hon. Gentleman, his hon. Friends and everyone else in this country, want a high-quality NHS that is accountable to patients and led and controlled locally. This Government have been elected on a platform of real-terms increases in the NHS budget for every year of this five-year Parliament. But hand in hand with that, we must have an NHS that puts patients at the centre of high-quality care and delivers care that is efficient, productive and, importantly, affordable. This must be the case nationally; it must also be the case locally, including for the people of Stockton North and Teesside.

Question put and agreed to.

10.49 pm

House adjourned.

House of Commons

Tuesday 6 July 2010

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

FOREIGN AND COMMONWEALTH OFFICE

The Secretary of State was asked—

UK-Zimbabwe Relations

1. **Laura Sandys** (South Thanet) (Con): What his most recent assessment is of the state of UK-Zimbabwe relations. [5775]

4. **Jessica Lee** (Erewash) (Con): What his most recent assessment is of the state of UK-Zimbabwe relations. [5778]

8. **Gavin Williamson** (South Staffordshire) (Con): What his most recent assessment is of the state of UK-Zimbabwe relations. [5782]

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): We want to do all that we can to support the aspirations of the Zimbabwean people for a peaceful, prosperous and democratic Zimbabwe. We will work with reformers in Zimbabwe and the region to maximise the prospects for achieving the reforms necessary for properly conducted elections.

Laura Sandys: What can the British Government do for British nationals who were born in Zimbabwe whose property has been expropriated by the Zimbabwe Government, some of whom live in South Thanet?

Mr Hague: We condemn illegal farm and property seizures, which contravene the global political agreement and a Southern African Development Community decision, and which do nothing to advance Zimbabwe's economy —we should make that very clear. Economic regeneration in Zimbabwe depends on respect for the rule of law, and we urge the Zimbabwean Government to respect the rule of law and to end such seizures.

Jessica Lee: In the light of the concerns raised by the UN's Kimberley process into mining diamonds in Zimbabwe, what measures do the Government have in place to ensure that conflict diamonds do not make their way into the UK?

Mr Hague: The European Union, including the United Kingdom, has called for efforts to reach agreement through the Kimberley process so that all mining in the Marange fields in Zimbabwe are subject to it. In that way, diamonds could actually help the economic development of Zimbabwe in future. We would like to sort that out within the Kimberley process, so that those diamonds can then be used productively.

Gavin Williamson: What action is my right hon. Friend taking with other African nations to ensure that Zimbabwe adopts a new constitution and ends the endemic corruption within the country?

Mr Hague: We work closely with our partners around Africa, foremost among which, of course, is South Africa. We support its efforts and those of President Zuma to engage closely with Zimbabwe and to push it towards reform. We—the UK and other donors—also support, through the UN development programme, the implementation of the Zimbabwean constitution. Given the concerns that my hon. Friend and others have raised, I should say that that happens not through direct funding of the Zimbabwean Government, but through that UN programme.

Kate Hoey (Vauxhall) (Lab): The Prime Minister will know that Morgan Tsvangirai was promised by the African Union and SADC that they would honour the global political agreement and ensure that it worked, but clearly they have not done so. Can we do anything more to put pressure on the AU and SADC, without which we will never get the free and fair elections that will make Zimbabwe once again a flourishing nation?

Mr Hague: We can put diplomatic pressure on those organisations—that is the leverage we have. The hon. Lady may think that that is not substantial enough, but that is what such pressure amounts to—working with those countries, particularly South Africa, and of course with reformers in Zimbabwe, to try to ensure that the global political agreement is properly respected. The UK will remain a strong voice for that, but we cannot guarantee it on our own.

Mr David Hanson (Delyn) (Lab): The noble Baroness Ashton, as the EU foreign affairs chief, recently met Zimbabwean Ministers to discuss what she termed human rights abuses and political development. I understand that a €20 million grant is currently being made available to the Zimbabwean authorities as Baroness Ashton seeks to make concrete progress on those political objectives. Does the Secretary of State have any idea what concrete progress means in reality?

Mr Hague: I think we can fairly say that concrete progress would be a great deal more than anything that is happening at the moment. There have been no noticeable improvements in the human rights situation in Zimbabwe, and we are deeply concerned about harassment and politically inspired detentions, which continue in that country. Concrete progress means a lot more than anything we have seen so far.

Dr William McCrea (South Antrim) (DUP): Have our Government any new initiatives or plans for such initiatives to deal with Mugabe's ruthless regime, under which many people are starving or subject to persecution?

Mr Hague: It is not within the UK's power alone to deal with Mugabe's regime. It is possible to do many things to try to improve the situation, some of which I mentioned in answer to previous questions, such as working with South Africa and other partners in Africa, supporting the implementation of the constitution with development money—my right hon. Friend the Secretary of State for International Development will continue to support that while reviewing the situation—and stressing the need for economic progress and the possibility of economic regeneration in Zimbabwe. It is a case of continuing all those things to try to help the situation in Zimbabwe rather than introducing one bold new initiative.

Human Rights and Democracy Programme Fund

2. **Mr William Bain** (Glasgow North East) (Lab): What plans he has for the future of his Department's strategic programme fund for human rights and democracy. [5776]

The Minister of State, Foreign and Commonwealth Office (Mr Jeremy Browne): My right hon. Friend the Foreign Secretary announced a 10% reduction this year in the strategic programme fund for human rights and democracy, as a contribution to reducing public expenditure, while making clear our desire to sustain such programmes in future years. Programme funds are only one way in which the British Government uphold human rights, which are also a major focus of our overall bilateral and multilateral diplomatic activity.

Mr Bain: I thank the Minister for that reply, but will he go a little further to allay the concerns of right hon. and hon. Members and say that there will be no further reductions in the funds available for this important project, which boosts human rights, democracy and the abolition of the death penalty in countries such as Iran, China and Russia?

Mr Browne: I share all the hon. Gentleman's objectives, and we wish to minimise the impact of this reduction. We certainly do not seek further reductions. It is worth making the additional point that programme funds are not the only means by which we deliver these policies. Our ambassadors and our network of staff around the world are delivering these foreign policy objectives for Britain every single day.

Jo Swinson (East Dunbartonshire) (LD): Earlier this year, the FCO facilitated a visit by Lord Judd and me to investigate the human rights situation in Chechnya. Sadly, we found evidence of abductions, executions, house burnings and a culture of impunity among the perpetrators. Will my hon. Friend meet me and Lord Judd to discuss our report and how the UK may be able to influence positively the dire human rights situation in Chechnya?

Mr Browne: I would be happy to hold a meeting very soon.

David Miliband (South Shields) (Lab): I am happy to welcome the hon. Gentleman to his post.

Nowhere is the battle against corruption and for good governance more important than in Afghanistan, where it is a key part of the combined civilian-military approach. In that context, does the Minister agree with the Secretary of State for Defence that our troops will be the last to leave Afghanistan?

Mr Browne *rose—*

Mr Speaker: Order. I say this with a degree of trepidation, but I am not quite sure how the right hon. Gentleman has managed to shoehorn his inquiry in question No. 2. Could he explain briefly?

David Miliband: As I said, the drive for good governance and against corruption in Afghanistan is a central part of our strategy, and it is combined with military effort. I am asking a simple question about whether the Minister agrees with the Defence Secretary that our troops will be the last to leave Afghanistan.

Mr Speaker: I am sure that the Minister will wish to focus on the programme fund in his reply.

Mr Browne: I will indeed, Mr Speaker. I assure you and all hon. Members that we attach the utmost importance to human rights and democracy in Afghanistan.

David Miliband: I am pleased to hear that. The Minister will know that an important part of the programme relates to the development of the peace jirga that was recently held in Afghanistan. The Foreign Secretary said of President Karzai's peace jirga that it marked a

"comprehensive, inclusive and genuinely representative political process".

He is certainly right that it is important. However, the two most internationally respected members of President Karzai's Government—Interior Minister Atmar and spy chief Sahel—have resigned because of the failings at that jirga. Will the Minister explain whether the Foreign Secretary met opposition leader Abdullah when he was in Kabul and what he will do to ensure that these funds continue to be used for the vital task of building a political settlement in Afghanistan?

Mr Browne: We continue to work closely with the Afghan Government. On the specific and narrow issue of programme funds, I can again reassure the House that our relations with the Afghan Government and our efforts in Afghanistan go way beyond anything that we are spending on programme funds. It is an absolute central top priority of the British Government.

Kyrgyz Republic

3. **Mr Wayne David** (Caerphilly) (Lab): What recent reports he has received on the political situation in the Kyrgyz Republic; and if he will make a statement. [5777]

10. **Mrs Madeleine Moon** (Bridgend) (Lab): What recent discussions he has had with the government of the Kyrgyz Republic on the political situation in that country. [5784]

The Minister for Europe (Mr David Lidington): Our ambassador is in regular contact with the authorities in Kyrgyzstan. We are deeply concerned by recent events in that country where the situation remains fragile. Both we and our international partners believe that the political

process now under way represents the best chance that we have to ensure peace, the rule of law and democracy for all the people of Kyrgyzstan.

Mr David: Clearly, the situation in Kyrgyzstan remains difficult, but does the Minister agree that it is vital that we have maximum co-operation between the Organisation for Security and Co-operation in Europe, the United Nations and the European Union?

Mr Lidington: I agree completely with the hon. Gentleman, and I hope that next week, when I attend the OSCE ministerial meeting in Kazakhstan, I will be able to talk to colleagues from all those parts of the world about the way forward.

Mrs Moon: I join the Minister in welcoming the outcome of the 27 June referendum, in which the Kyrgyz clearly outlined their desire for a parliamentary republic and a new constitution. However, will he join me in calling on President Otunbayeva to reduce tensions between the Kurds and Uzbeks by initiating an open and transparent inquiry into the killings in Osh and Jalalabad, and by releasing the Uzbek human rights activist Mr Askarov and the journalist Mr Abdusalomov?

Mr Lidington: It is precisely because the British Government accept the need for reconciliation between the different communities in Kyrgyzstan that we co-sponsored a resolution on 18 June, at the UN Human Rights Council, calling for a transparent investigation into the events of April and the recent inter-ethnic violence, and urging the Kyrgyz authorities to promote inter-ethnic reconciliation as a key priority.

Mr Gary Streeter (South West Devon) (Con): Has high-level corruption in the political system not been one of the real problems facing Kyrgyzstan since independence? What more can the British Government do, whether through the EU, their own good offices or the Westminster Foundation for Democracy, to promote good governance in this important country in central Asia?

Mr Lidington: We in the United Kingdom have to accept that there are practical limits to our ability to put right all the problems that my hon. Friend has identified. Nevertheless, the British Government will continue to do all within their power, not just bilaterally but through the various multilateral organisations to which we are party, to bring about reconciliation and a free and stable democracy in that country.

Greg Hands (Chelsea and Fulham) (Con): I visited the city of Osh eight years ago, and I have to say it was a desperately poor place. The Minister will recall that five years ago, with the Andijan massacre in Uzbekistan, there were international calls for a full investigation that ultimately came to nothing. Will he reassure us that the calls now for an investigation into the present case will lead to fruition and something proper happening?

Mr Lidington: I share my hon. Friend's hope for a positive reaction on the part of the Kyrgyz authorities to the resolution at the UN Human Rights Council. I shall be making that point in my conversations with Kyrgyz and other regional leaders next week.

National Election Commission (Rwanda)

5. **Ann McKechin** (Glasgow North) (Lab): What recent discussions he has had with the Rwandan National Election Commission on the forthcoming presidential elections in that country. [5779]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Henry Bellingham): We are working with the National Election Commission, encouraging it to implement recommendations of previous EU election observer missions. The recent electoral code addresses most recommendations, but it is important that the presidential elections in August comply with international norms.

Ann McKechin: I am sure that the Minister will share my concerns about the increasing reports of incidents of harassment and intimidation of opposition leaders, including the arrest of one of the leaders of the opposition party just less than two weeks ago. Will he impress it on the National Election Commission and the Rwandan Government that such continued reports will stain Rwandan's reputation, which has made much progress in the past decade, and that it is vital that they show real signs of ensuring that democracy is fully protected?

Mr Bellingham: I am grateful to the hon. Lady for that constructive question. I share her concern about the arrest of Victoire Ingabire, who is a prominent opposition leader, and about the fact that her American lawyer, Professor Erlinder, was also arrested on what were basically trumped-up charges. We are also concerned that so far just one party outside the ruling coalition has been registered, and we are applying as much pressure as we can.

Stuart Andrew (Pudsey) (Con) *rose—*

Mr Speaker: I call Andrew Stephenson—*[Interruption.]* He is not Andrew Stephenson, but he is very welcome. Let us hear from him.

Stuart Andrew: Thank you, Mr Speaker. Given that top military officials have also been arrested, does my hon. Friend the Minister see any danger of interference in the elections by the Rwandan army?

Mr Bellingham: I am grateful to my hon. Friend for that question. To say that Rwanda has come back from the abyss would be an understatement. We should pay tribute to the extraordinary progress that Rwanda has made. What we want to do the day after the election is call the new President of Rwanda, congratulate him on his election and say that he has enhanced credibility and trust with the world community by winning a completely free and fair election against proper opposition.

Mr Speaker: My apologies to Stuart Andrew.

Mary Creagh (Wakefield) (Lab): Does the Minister share my concern about the murder of Jean-Léonard Rugambage, a journalist on the *Umuvugizi* newspaper—I will pass that name up to *Hansard* afterwards—who was shot on Friday 25 June? Does he agree that having free, fair and open newspapers is an essential part of ensuring a civil space where democracy can work, and will he do everything he can to press the Rwandan Government to bring that man's murderers to justice?

Mr Bellingham: We have already made our views clear to the Rwandan Government, and we will continue with that dialogue, putting pressure on them. As I said a moment ago, it is essential that there should be not only a free election, but one with proper opposition and open and transparent media reporting it.

Settlement Expansion

6. **John Robertson** (Glasgow North West) (Lab): What recent discussions he has had with his Israeli counterpart on settlement expansion in East Jerusalem and the west bank; and if he will make a statement. [5780]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alistair Burt): We are in regular contact and dialogue with the Israeli Government, particularly on matters pertaining to the peace process. We remain of the view that the moratorium on settlements that is currently in place is the right policy, and we continue to urge all parties not to change any facts on the ground which might undermine the peace process.

John Robertson: I thank the Minister for his answer, although I am not quite sure exactly what he means. For those of us who have been over to the west bank and seen the problems there between the people who will not trust those on the other side of the fence, can he tell us exactly what the Government's policy will be towards the settlements? Will he come out and actually say that they have to be closed down, and that we have to return to the 1967 boundaries?

Alistair Burt: I must say as clearly as possible to the hon. Gentleman and to the House that we regard the settlement policy as wrong and not in the interests of the peace process. That is a position that has been made clear to the Israeli Government over a period of time. It is essential, as he mentioned, that confidence measures are built on both sides. This is an immensely complex process, but there is no doubt that the settlement policy has been seen as a bar to progress in the peace talks. We therefore urge that the moratorium on settlements should remain past September, when it is due to come to an end.

Sir Malcolm Rifkind (Kensington) (Con): Does the Minister agree that land swaps of Israeli territory for Palestinian territory, which has already been discussed in the past by Israelis and Palestinians, would form, at the very least, a significant part of a potential solution to the problem outside East Jerusalem? Does he also accept, however, that for the two-state solution to work, the proposed Palestinian state must have a high degree of both territorial integrity and economic viability?

Alistair Burt: My right hon. and learned Friend will know better than most—although most of the House knows as well—that one of the great ironies of the situation is that the draft agreement between the two sides is already well enough known. It has been spoken of many times, and land swaps play their part. We remain of the view that a two-state solution is the thing to be sought, with a universally recognised and secure Israel next to a viable and sovereign Palestine. The work being done on the peace process currently, through the proximity talks, is being much encouraged by this Government.

Mr Ivan Lewis (Bury South) (Lab): Improving the situation in Gaza is crucial to building confidence for direct negotiations between Israelis and Palestinians. Will the Minister give a progress report on the implementation of the Israeli Government's commitment to minimise restrictions on goods and services needed for the reconstruction of Gaza? Will he confirm whether any progress has been made on the proposed deployment of EU troops to assist movement and access into Gaza? Will he also give an indication of what steps Britain and the EU are taking to secure the release of Gilad Shalit?

Alistair Burt: I am grateful to the hon. Gentleman for those questions, all of which are pertinent. There has been movement on easing the blockade. Again, one of the ironies of this dreadful situation is that out of some tragedy, there might be some movement in the right direction. The pressure that has been exerted on Israel in recent times by the EU, this Government, the United States and the Quartet for a relaxation on the restrictions in Gaza has had an effect. The hon. Gentleman will know that two days ago—I think—the Israelis announced that they were moving from a list of allowed goods to a list of banned goods, and that reconstruction materials would be allowed through. It remains essential that no weapons get through into Gaza and thereby further destabilise the situation. As he also said, it is crucial that Hamas should release Gilad Shalit as soon as possible and unconditionally, because that will be a further confidence-building measure of the kind that is so desperately needed for the relief of the people of Gaza and the middle east.

Mr Speaker: Order. We need shorter answers.

Sir Menzies Campbell (North East Fife) (LD): Does the Minister accept that the moratorium is no substitute for the cessation of a policy that is unequivocally contrary to international law, and whose continuance represents an insurmountable obstacle to the achievement of peace and implies a determination to impose a solution not by agreement but by attrition?

Alistair Burt: Again, I would say that we must take this step by step. The current position, in which the moratorium has been observed, has been important in allowing space for the proximity talks to take place, and we hope that those talks will advance into further discussions. I repeat that we believe that the previous settlement policy was a barrier to that process, and that we want to see the current moratorium continue.

Mrs Louise Ellman (Liverpool, Riverside) (Lab/Co-op): I recognise the great importance of a settlement freeze, but does the Minister welcome the decision by the International Trade Union Confederation to urge closer working between the Israeli trade unions—the Histadrut—and the Palestinian trade unions, instead of pursuing a policy of sanctions and divestment?

Alistair Burt: Yes, I do. The hon. Lady might like to know that the recent investment conference on the west bank was very successful, and that the Palestinian Authority are now seeing real progress in their own economy.

They remain in difficulty, however, as do all the occupied territories, and of course none more so than Gaza. Anything that can be done to stimulate relationships, particularly those relating to trade, with the occupied territories and the west bank, must be good news.

Luke Walker

7. **Margot James** (Stourbridge) (Con): What recent discussions he has had with Her Majesty's consul general in Greece on the case of Mr Luke Walker. [5781]

The Minister for Europe (Mr David Lidington): This is a tragic case, which I have discussed with officials. Our consular staff in Crete have visited Luke Walker in detention, and they are providing him and his family with ongoing assistance.

Margot James: I thank my hon. Friend for his answer. Photographs and papers promised by the court in Crete to Luke Walker and his family, which are legitimately required by the UK coroner, are being subject to unacceptable delays. Does my hon. Friend agree that the reluctance of the Greek Interior Department to co-operate with UK coroners in general might be contributing to these delays? Can he assure my constituent, who has now been in prison for 66 days, that all possible steps are being taken to resolve these matters?

Mr Lidington: In the case of Luke Walker, consular officials in my Department are doing everything they can to expedite the process, within the limits placed on us by our inability to interfere in the judicial processes of other countries. On my hon. Friend's more general point, the Foreign Office has established, together with the Ministry of Justice and the Greek Ministry of Justice, a working party that will look at the problem that she has identified—namely, how to ensure that important case documents are shared between the different jurisdictions.

Turks and Caicos Islands

9. **Tom Greatrex** (Rutherglen and Hamilton West) (Lab/Co-op): What recent discussions he has had on governance of the Turks and Caicos Islands; and if he will make a statement. [5783]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Henry Bellingham): I have held a number of discussions about the situation in the Turks and Caicos Islands, including with my right hon. Friend the Minister of State, Department for International Development. Yesterday, I met our Governor, and last week I met a delegation from the Turks and Caicos Islands. The Foreign Secretary, other Ministers and I all want to see the Government restored as soon as possible. The Governor—fully supported by the UK—is working hard to restore key elements of good governance and sound public financial management.

Tom Greatrex: I thank the Minister for that reply. May I urge him and his Department to do whatever they properly can to influence the inquiry that is going on in the Turks and Caicos Islands, and to ensure that the people of those islands are able to take part in free and fair democratic elections as soon as possible?

Mr Bellingham: I am grateful to the hon. Gentleman for his constructive question, and I agree with him entirely. We want to get the inquiry out of the way as soon as possible, and the special investigation and prosecution team is doing a very good job indeed. It is now at full strength, and we very much hope that it will come up with a number of charges in the near future so that we can get closure following these quite appalling corruption incidents.

Mike Gapes (Ilford South) (Lab/Co-op): The Minister will know that the Select Committee on Foreign Affairs published in its final report in the last Parliament a short update on the situation in the Turks and Caicos Islands, and made a number of recommendations. It expressed concern that the timetable for an election in 2011 might be too early, given that these possible prosecutions might not have been concluded by that time. Are the Government giving consideration to that timetable, and are they prepared to look again at their current approach?

Mr Bellingham: We are certainly looking carefully at those particular points. I agree with the hon. Gentleman that we want to avoid the danger of re-electing politicians involved in corruption. That is why the matter is under review. We are looking carefully at the work of the Turks and Caicos Islands Government, and we will report back to the House on progress in due course.

Work Programme (European Commission)

11. **Miss Anne McIntosh** (Thirsk and Malton) (Con): When he next expects to discuss the European Commission's work programme for 2011 in the General Affairs Council. [5785]

The Minister for Europe (Mr David Lidington): The European Commission will publish its work programme for 2011 towards the end of this year, and I will ask the presidency to table a discussion of it at the following General Affairs Council. I am also looking forward to a debate in Westminster Hall on the Commission's 2010 work programme.

Miss McIntosh: Is the Minister aware that the Commission is agreeing a Green Paper on pensions imminently, which will presumably form part of the work programme for next year? There is an issue about those who are self-employed and those who are employed working in different member states that needs to be addressed. The Green Paper does not address that, however, but other issues such as having a one-size-fits-all for pensions, which is not acceptable. Will the Minister press for the correct law to be in place, not one that we could do without?

Mr Lidington: I can assure my hon. Friend that not just I, but my hon. Friends in the Department for Work and Pensions will press to make sure that any proposals suit the interests of the United Kingdom. When the Green Paper is published, it will, of course, be subject to parliamentary scrutiny in its own right.

Chris Bryant (Rhondda) (Lab): One element of the Commission's work programme is the implementation of treaty change. Will he confirm that the Prime Minister

agreed at the June European Council to a special intergovernmental conference, but has yet to notify this House of that matter? That meeting has already taken place. Will he also confirm whether the Prime Minister, or the British representatives at that intergovernmental conference suggested the repatriation of any powers from the European Union to the UK?

Mr Lidington: I am sorry if the hon. Gentleman has been dozing a bit. If he had looked at the Order Paper this morning, he would have seen a written statement about the transitionary protocol on the composition of the European Parliament. It is hardly a secret, given that this matter has more than once been referred to on this side of the House in debates about Europe and foreign policy since this Parliament first convened. The proposed small treaty amendment does not involve any transfer of powers from the United Kingdom to Brussels institutions.

Chris Bryant: The hon. Gentleman knows perfectly well that I have read the written ministerial statement because I tabled an urgent question about it earlier this morning and I am sure that he was consulted on the matter. However, let me raise another matter that arises from the Commission's work programme—trade with Latin America. The Minister knows that Labour Members support a free trade agreement with Peru and Colombia, but we know that there are very significant human rights abuses in Latin America, which is why it is important that the text of the trade agreement deals not just with trade issues. Will he make sure that this is ratified not just by the Commission, the European Council or by Europe, but by each member state so that we in this House have a chance to vote on that trade agreement?

Mr Speaker: Order. Before the Minister answers, let me say for the record that no reference should be made on the Floor of the House to the fact of an urgent question having been tabled. I say that gently.

Mr Lidington: There will be an opportunity for the House to debate the free trade agreement to which the hon. Gentleman referred. The Government's view, as he knows, is that it is important for the EU to continue to champion free trade agreements with Latin American countries and those in many other parts of the world. He will also know that it is normal procedure for any EU free trade agreement to include a significant clause on human rights.

Nuclear Programme (Iran)

12. **Richard Ottaway** (Croydon South) (Con): What recent discussions he has had with his EU counterparts on the EU's policy on Iran's nuclear programme; and if he will make a statement. [5786]

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): I am in regular close contact with key EU partners to ensure that the EU makes clear, through a strong set of sanctions, including and additional to those agreed in UN Security Council resolution 1929, that Iran cannot ignore its international obligations. Tough EU sanctions will show that the EU is determined to play its part in resolving this issue.

Richard Ottaway: I welcome the fact that the European Union has decided to go further than United Nations resolution 1929 in imposing sanctions on Iran, especially in the oil and gas sector where it is particularly vulnerable. Does my right hon. Friend agree, however, that sanctions alone will not solve the problems of Iran's nuclear facility? Following his twin-track approach, what efforts is he making to broker a deal?

Mr Hague: I welcome my hon. Friend's welcome for the statements of the European Union and the European Council last month. My right hon. Friend the Prime Minister was party to them, and we are now working in detail with EU partners on what that will mean in terms of specific sanctions. I hope that those will be agreed at the next meeting of the Foreign Affairs Council on 26 July.

As for the other part of the twin track to which my hon. Friend rightly referred, we remain open to negotiations. The EU High Representative, Lady Ashton, has made it clear—along with many of the Foreign Ministers involved—that we remain open to negotiations about Iran's whole nuclear programme, and that we look to Iran to enter into such negotiations and co-operate fully with the International Atomic Energy Authority. It has not been prepared to do those things so far.

Mr Denis MacShane (Rotherham) (Lab): I welcome the Foreign Secretary's robust stance on Iran, but it is a crime against the United Nations genocide convention to incite genocide as well as to commit it. President Ahmadinejad has called for the wiping of Israel off the map of the world. That generally means the extermination of its people. Will the Foreign Secretary consider taking to the United Nations and the International Criminal Court an indictment against President Ahmadinejad for his incitement to the genocide of the Jewish people in the middle east?

Mr Speaker: Order. I am sure that the Foreign Secretary is being asked to do that in the context of discussions with his EU counterparts, and in respect of EU policy. *[Interruption.]* Order. I do not think that I need to hear any more. *[Interruption.]* Order. I do not need to hear any more.

Mr Hague: That is not something that we have discussed in the European Union, because our attention has been so focused on the Iranian nuclear issue. I hope that the right hon. Gentleman will forgive me if I say that, while I entirely share his sentiments about some of the statements from the President of Iran, I think it right for us to concentrate on developing a strong set of sanctions on the nuclear programme and repeating to Iran that it is time to negotiate about that programme. Those things are so important that I do not think we should let anything else get in the way.

Middle East

13. **Simon Hughes** (Bermondsey and Old Southwark) (LD): What his foreign policy priorities are for the middle east area. [5788]

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): Strengthening the United Kingdom's relations with the countries of the middle

east as part of a distinctive British foreign policy is one of the highest foreign policy priorities of this Government. We will work to promote a two-state solution to the Arab-Israeli conflict, and will press for firm diplomacy to resolve international concerns about Iran. We will remain engaged in Iraq, and will help to build stability in Yemen.

Simon Hughes: I thank my right hon. Friend for his encouraging answer.

Six years ago this week, the International Court of Justice ruled that the wall being built by Israel was illegal and ought to come down. Will my right hon. Friend make it absolutely clear, while consistent with supporting a continued safe state of Israel and a state for Palestine, that Israel must understand that international law is for all, not some, to obey?

Mr Hague: It is for all to obey—that is absolutely right—and, of course, we support a two-state solution created by negotiation and confidence-building on both sides, rather than the creation of facts on the ground that are intended to change the shape of such a solution ultimately. We are very committed to that, as the Under-Secretary of State, my hon. Friend the Member for North East Bedfordshire (Alistair Burt) has already explained. I am in constant touch with Senator George Mitchell, who is working hard in trying to turn proximity talks into direct talks.

Mrs Linda Riordan (Halifax) (Lab/Co-op): What action is the Foreign Office taking to ensure that there is a full, independent, international inquiry into the appalling Israeli attack on the freedom flotilla? Does the Foreign Secretary agree that an internal Israeli investigation alone is simply not acceptable?

Mr Hague: The hon. Lady may recall my statement to the House on 2 June, when I explained our policy that there should be a credible, independent, prompt and thorough inquiry. That remains the position of Her Majesty's Government. The United Nations Secretary-General proposed an international inquiry, which would have been a good thing to do. The Israeli Government have decided to set up an inquiry, but with an international presence. We may not consider such an inquiry ideal, but we should hold Israel to conducting it in an independent and thorough manner, and should judge it according to the way in which it proceeds.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): The previous Government apportioned more than £1 million to the Government of Yemen to help with counter-terrorism. Will my right hon. Friend be able to update us on how that money has been spent and on the progress that has been made in the country?

Mr Hague: That is important. It is the sort of funding that is continuing under the current Government. Working with Yemen on countering terrorism and to stress that political reform is needed by the Government of Yemen is an important part of our work. The Under-Secretary of State, my hon. Friend the Member for North East Bedfordshire, has already been to Yemen to see the situation for himself so that we can make our own decisions about these things in the coming months, but that sort of support will continue.

Mr Andy Slaughter (Hammersmith) (Lab): What representations has the Foreign Secretary made to the Government of Israel about the thousands of Palestinians in East Jerusalem who have their citizenship withdrawn every year, about the hundreds who are expelled from the city and, in particular, about the four Palestinian MPs resident in Jerusalem who are due to be expelled this weekend?

Mr Hague: That is the sort of issue that we want to resolve. Given that the hon. Gentleman has raised it, I will have a particular look at that and see whether there are additional representations that we need to make over the coming few days. When these things happen, they are unacceptable and they show that we must put as much momentum as possible behind our efforts to broker peace in the middle east. That is why it is such a priority for the Government. I will certainly look to see whether we can do any more about the point that he makes.

EU Enlargement

14. **Gordon Henderson** (Sittingbourne and Sheppey) (Con): What recent assessment he has made of the prospects for enlargement of the European Union; and if he will make a statement. [5789]

The Minister for Europe (Mr David Lidington): We strongly support further enlargement of the European Union but also believe that countries that want to join must clearly meet the membership criteria. We welcome the progress made during the Spanish EU presidency, including the decision to open negotiations with Iceland, and the progress on accession negotiations with both Croatia and Turkey.

Gordon Henderson: Rather than encouraging an enlargement of the EU, will the coalition Government consider helping to reduce its size by holding a referendum that would allow the British people the opportunity to decide whether we remain a member of the EU?

Mr Lidington: The Government believe that British membership of the EU is very much in the national interests of the UK, and—*[Interruption.]*

Mr Speaker: Order. Can I just say to the shadow Minister for Europe that I want to hear my constituency neighbour?

Mr Lidington: Thank you, Mr Speaker. We believe that EU enlargement, which has been championed by the Governments of Margaret Thatcher and John Major, as well as by the Labour Governments of Tony Blair and the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), has entrenched democracy, human rights and the rule of law in central and eastern Europe in a way that was not achieved throughout the 20th century.

Mr Frank Roy (Motherwell and Wishaw) (Lab): Three months ago, air traffic was brought to a standstill throughout the EU because of the Icelandic ash cloud. What appraisal has been made of the work of the Foreign and Commonwealth Office and of the services given to travellers during that period?

Mr Lidington: The matter that the hon. Gentleman has raised relates very much to the work of our consular department rather than to the enlargement process, but I will take advice from consular officials and write to him about the detailed matter that he has raised.

Forced Labour (Brazil)

15. **Mr Adrian Sanders** (Torbay) (LD): What recent representations he has made to the Government of Brazil in support of their efforts to end forced labour. [5790]

The Minister of State, Foreign and Commonwealth Office (Mr Jeremy Browne): During Brazil's most recent UN universal periodic review, the British Government recommended that Brazil invest more rigour in the application of a range of human rights initiatives, including on forced labour. Brazil accepted that recommendation and has made progress. Following the UN special rapporteur's May 2010 report on forced labour in Brazil, we will continue to work with the Government of Brazil to raise awareness of these issues and to promote compliance with international commitments.

Mr Sanders: I thank the Minister for that answer. We like to think that slavery has been abolished, but we need to do more to encourage the Brazilian Government to sign up to the ethical trading initiative, so that fewer people are enslaved in that part of the world.

Mr Browne: I am grateful to my hon. Friend for the question. Many hon. Members may not be aware that Brazil became the last nation in the western hemisphere to abolish slavery formally, doing so in 1888. The International Labour Organisation estimates that about 25,000 to 40,000 workers in Brazil are in conditions analogous to slavery. President Lula has, since his election in 2002, made considerable progress and given priority to this issue. I hope and believe that Brazil will continue to do more in the years ahead.

High Representative (Bosnia and Herzegovina)

16. **Mr Adam Holloway** (Gravesham) (Con): What recent discussions he has had on the future of the Office of the High Representative in Bosnia and Herzegovina; and if he will make a statement. [5791]

The Minister for Europe (Mr David Lidington): The Peace Implementation Council, which met in Sarajevo at the end of June, discussed progress towards the conditions necessary for the closure of the Office of the High Representative but, as those had not been met, no decision on closure was taken.

Mr Holloway: What discussions has my hon. Friend had with his EU counterparts on the future accession of Balkan states to the EU?

Mr Lidington: Both my right hon. Friend the Foreign Secretary and I have raised during, I believe, every bilateral conversation we have had with European counterparts and at formal sessions of the Foreign Affairs Council the importance that we accord political and constitutional progress in the western Balkans and the need for the EU to make as one of its highest priorities the strengthening of both the incentives and disincentives in respect of those countries pushing forward with further reform, so that their welcome into the family of European nations can be given as soon as possible.

Topical Questions

T1. [5800] **Meg Munn** (Sheffield, Heeley) (Lab/Co-op): If he will make a statement on his departmental responsibilities.

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): I wish to inform the House that the Turkish Foreign Minister, Ahmet Davutoglu, will visit London this week at my invitation for a full day of talks. His visit is a sign of the Government's determination to elevate Britain's links with key partners. Turkey is a crucial NATO ally, it is Europe's largest emerging economy and it is a major player in the middle east and the western Balkans. We support Turkey's aspirations to EU membership and we want to work with its Government on new approaches to the western Balkans, on peace and security in the wider middle east and on bridging the differences between east and west.

Meg Munn: I thank the Foreign Secretary for his answer. He will be aware that the Spanish Foreign Minister is due to visit Cuba to increase the pressure for the release of its political prisoners. Can the Foreign Secretary update the House on what the Government are doing to put pressure on the Cuban authorities to release non-violent political prisoners, who have been held in jail for far too long?

Mr Hague: That pressure comes from the whole European Union. We discussed the position in Cuba at the Foreign Affairs Council in Luxembourg on 14 June, so the message that we seek the release of political prisoners in Cuba if we are to start improving relations with Cuba in other ways goes out unequivocally from the whole European Union.

T2. [5801] **Dr Julian Lewis** (New Forest East) (Con): Does the Foreign Secretary accept that it is not satisfactory for estimates of how long it will take us to secure our strategic interests in Afghanistan to vary from 40 years in 2009 to four years in 2010? Does he accept that if this circle is to be squared, we will need to have fresh thinking about an alternative strategy that could actually secure our important strategic interests in the area?

Mr Hague: It is very important that we ensure that the current strategy succeeds. As my hon. Friend knows, this strategy involves 46 nations in Afghanistan and the United Kingdom is strongly committed to it. It goes alongside building up the capacity of the Afghan state, and I shall be going to the Kabul conference in a couple of weeks' time to make our contribution to that. As he will know, the Prime Minister is very clear that there will not be British troops in a combat role or in significant numbers in Afghanistan in five years' time, but we believe that that is part of an internationally agreed objective. The G8 meeting in Canada in June sent a collective signal that we want Afghan security forces to assume increasing responsibility for security within five years.

David Miliband (South Shields) (Lab): The Foreign Secretary knows that the previous Government won United Nations support for an arms trade treaty to establish minimum standards on all conventional arms sales. Thousands of people, including hundreds of UN peacekeepers, die every year because this trade is not properly regulated. The next round of negotiations starts on 12 July, as I am sure he knows. In opposition he said that he supported us on this, so can he explain why the coalition agreement dilutes this commitment to a partial restriction to sales "to dangerous regimes", rather than a global standard? Is this a distinctive British foreign policy or the same old Tories?

Mr Hague: We will be a united coalition on this, as on all other subjects. I stand by everything I have said about the arms trade treaty, and we will be taking an energetic and supportive part in those negotiations from 12 July. We very much support that treaty.

T5. [5804] **Brandon Lewis** (Great Yarmouth) (Con): Can my right hon. Friend the Foreign Secretary update the House on the measures that the Government are taking with regard to our economic development work with Pakistan?

Mr Hague: Yes. The International Development Secretary, who will also speak about this, visited Pakistan before my visit earlier in June. He announced a four-year programme of £665 million of British aid for Pakistan. A huge amount of that is dedicated to education—£250 million. Pakistan has literacy rates of only about 50% and raising the quality of education is critical to its economic development.

T3. [5802] **Ann McKechin** (Glasgow North) (Lab): Like the ministerial team, I welcome the recent easing of the blockade in Gaza, but what specific reassurances has the Foreign Secretary received from the Israeli Government that those within Gaza who need to travel outside for medical treatment, including children and elderly and disabled people, will receive unrestricted access out of Gaza?

Mr Hague: We have not yet received specific assurances on that, but the hon. Lady is right to raise the issue. It is one of the things that we want to see happen. It should be possible for goods and exports to leave Gaza, but it should also be possible for people such as she describes and others to move freely in and out of Gaza. So that is one of the things that we will continue to press on the Israeli Government.

T6. [5805] **James Morris** (Halesowen and Rowley Regis) (Con): Does the Secretary of State agree with me that part of protecting Britain's national interests is that Britain should develop relationships with emerging economies to promote new export markets, which will be of great benefit to the small and medium-sized manufacturing businesses in my constituency?

Mr Hague: I agree with my hon. Friend. As he will have noticed, this is a key part of our approach to foreign policy. It requires the FCO to be still more commercial and economic in its orientation. It is a critical part of our job to promote investment in Britain and British trade overseas. It is also a critical part of our work to encourage the conclusion of more free trade agreements between the European Union and the rest of the world. So the coalition Government will apply themselves energetically to that task.

T4. [5803] **Paul Flynn** (Newport West) (Lab): Now that Hezbollah, the Taliban and Iran are all expanding their broadcast services, would it not be inconceivable to cut the meagre grant in aid to the BBC World Service, which could lead to the cancellation of a new Urdu service in Pakistan? Is not the World Service independent, authoritative, trusted, respected and a far better way of winning hearts and minds than bombs and bullets?

Mr Hague: I agree with much of the last part of the hon. Gentleman's question. I would not say that the grant is meagre—£229 million of taxpayers' money. I do not know what he calls meagre, but it is a little more than meagre. It is important that the BBC World Service is able to maintain a presence around the world. I often think of its crucial role in our soft power, which is what the hon. Gentleman is talking about. That is not to say, however, that that grant can never be varied or that the service can never make efficiencies. There will, of course, be great pressure across the whole of the public sector for that to happen.

Several hon. Members *rose—*

Mr Speaker: Order. Several more colleagues want to get in. I remind Members that short questions are needed. I would also say to those on the Treasury Bench that the one-word answer yes or no is not disorderly.

T7. [5806] **Chris Skidmore** (Kingswood) (Con): Last week the Secretary of State stated his intention to establish a National Security Council. Will he explain to the House what its remit might be?

Hon. Members: Yes.

Mr Hague: What if I said no, Mr. Speaker? The National Security Council was established by my right hon. Friend the Prime Minister on the day we took office, and it started proceedings on that day to ensure that within the Government we look at all issues of international relations and national security in the round. It had its ninth meeting earlier today, so my hon. Friend can see how active it is. What I was explaining last week was the part that the council plays in elevating key bilateral relations around the world.

Siobhain McDonagh (Mitcham and Morden) (Lab): What discussions has the Foreign Secretary had with the Government of Pakistan about the murder on 28 May of some 98 Ahmadiyya Muslims in two mosques in Lahore; and will he make special reference to the position of Ahmadiyya Muslims in Pakistan today?

Mr Hague: Yes, of course I discussed that with Ministers throughout the Pakistan Government when I visited that country two weeks ago. We absolutely the deplore the atrocities that took place in Lahore, about which I was able to hear quite a lot during my visit. Our views on the matter are well known. Our efforts to improve stability in Pakistan are linked with the development effort I talked about earlier, and those efforts will continue.

T8. [5807] **Mr Christopher Chope** (Christchurch) (Con): What alternative arrangements are being made to ensure that an inter-parliamentary scrutiny role is carried out in future, which is currently carried out by the European Security and Defence Assembly? What is being done to make sure that that vacuum is not filled by the European Parliament?

The Minister for Europe (Mr David Lidington): My hon. Friend is right to identify that need. We are considering a number of options for scrutiny involving different national Parliaments. We will bring in our proposals for debate by the House as soon as we are able to do so.

Natascha Engel (North East Derbyshire) (Lab): I have a specific question about a former constituent of mine, Matthew Cryer, who, aged only 18, was unlawfully killed on the island of Zante in Greece. What are the consular services doing to ensure that bereaved families in the UK get the justice in Greece that they deserve?

Mr Lidington: I would be happy to discuss that case further with the hon. Lady, if she would find that helpful. What I hope the working group of the UK and Greek Ministries of Justice and the Foreign and Commonwealth Office will achieve is to make it much easier to transfer evidence from one jurisdiction to another, so that fair and swift trials become the norm.

T9. [5808] **Andrew Bridgen** (North West Leicestershire) (Con): Will my right hon. Friend the Foreign Secretary please inform the House of the next option for Her Majesty's Government when sanctions against Iran fail?

Mr Hague: As I explained earlier, sanctions are part of a twin-track approach in which the peaceful and legitimate pressure on Iran of sanctions is intensified, but we remain open to negotiations about the whole of Iran's nuclear programme. Although we have never as a Government ruled out military action or supporting any military action in future, we are most definitely not calling for that at this time, nor advocating it. It is precisely to avoid conflict that we want the situation to be resolved peacefully, through sanctions and negotiation.

Mrs Sharon Hodgson (Washington and Sunderland West) (Lab): What effect does the Secretary of State think the recent cuts to the Chevening scholarships will have on Britain's reputation abroad, especially given what I have just heard about placements being cut for candidates who had given up other scholarships or, indeed, work? I have written to the right hon. Gentleman about this. Will he reconsider the decision for those who had already accepted placements?

Mr Hague: I will look at the hon. Lady's letter, although I do not think the decision should affect anyone currently going through the Chevening scholarship process. It is of course a great pity to have to make any such reduction, and I do not do it lightly, but we have to remember that we have inherited, across all Departments, a situation in which the Government of this country were borrowing £3 billion a week and all Departments have to play their role in trying to sort that out.

T10. [5809] **Charlie Elphicke** (Dover) (Con): What lessons for operations in Afghanistan may be learned from the case of Bill Shaw? I beg your indulgence, Mr Speaker, in paying the highest of tributes to the Minister responsible for the middle east and to Afghanistan and the FCO officials who worked so hard to ensure that justice was done in Afghanistan in that case.

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alistair Burt): I am very grateful to my hon. Friend for such generous comments. I think the lessons to be learned are about the importance, in building up the Afghan state, of our commitment to the values and the rule of law and to ensuring that there is an anti-corruption policy in place, which we can rely on the Afghan authorities to administer. Our consular service worked extremely hard in the circumstances to support Mr Shaw and his family, and I am pleased that that work appears at this stage to have been successful. Like the family, we hope to see Mr Shaw home very soon.

Angus Robertson (Moray) (SNP): Today, Her Majesty the Queen addresses the United Nations General Assembly as the Head of State of 15 independent countries. Will the Foreign Secretary confirm that that arrangement involves co-operation between 15 realms, showing that it is an attractive, workable model for normal nations within the Commonwealth?

Mr Hague: Yes, Her Majesty has been very proud to address the United Nations on the part of so many different realms, but that does not mean that the rest of us have started to agree that breaking up individual realms is a good idea, so we will continue to oppose the hon. Gentleman on that.

Tim Farron (Westmorland and Lonsdale) (LD): How will the Foreign Secretary assist Mr Netanyahu to resist demands from within his own Government for the building of illegal settlements to recommence by September?

Mr Hague: We have to continue to try to convince the Israeli Government—my right hon. Friend the Prime Minister and I have been active in that already—that it is fundamentally in the interests of Israel to do everything that it can to secure a two-state solution, that time for that might be running out, and that such a solution is in the interests of Israel's long-term security. Winning that argument is very important, and we will continue to try to win it.

David Cairns (Inverclyde) (Lab): Given that a great deal of the credit for the steady if unheralded progress on economic and security issues on the west bank, in such matters as the dismantling of blockades, belongs to British military officers and former police officers, who have played a very important role there, will the Foreign Secretary reassure the House that the Government remain committed to supporting the work of our armed forces and former police officers on the west bank, as well as, of course, the excellent work of Tony Blair?

Mr Hague: Yes, very much indeed. I never thought that I would say in this House that I support the excellent work of Tony Blair, but I do. I have had many phone conversations with him over the past few weeks, and a meeting with him last Friday, about Gaza and

building up Palestinian institutions. He is doing a very good job on that—notwithstanding all our disagreements in the past.

We will of course continue to support the wider work to which the hon. Gentleman refers. A great deal of progress has been made on the west bank, and economic progress, which shows the signs that it is possible to have a functioning state, is a very important component of driving forward the middle east peace process.

Treatment of Detainees

3.32 pm

The Prime Minister (Mr David Cameron): I am sure that the whole House will wish to join me in paying tribute to the Royal Marine who died on Thursday, the soldier from the Royal Dragoon Guards who died yesterday, and the soldier from 1st Battalion the Mercian Regiment who died from wounds sustained in Afghanistan in Birmingham yesterday. We should constantly remember the service and the sacrifices made on our behalf by our armed forces and their families, keep them in our thoughts and prayers and thank them for what they do on our behalf.

With permission, Mr Speaker, I would like to make a statement on our intelligence services and allegations made about the treatment of detainees. For the past few years, the reputation of our security services has been overshadowed by allegations about their involvement in the treatment of detainees held by other countries. Some of those detainees allege that they were mistreated by those countries. Other allegations have also been made about the UK's involvement in the rendition of detainees in the aftermath of 9/11. Those allegations are not proven, but today we face a totally unacceptable situation. Our services are paralysed by paperwork as they try to defend themselves in lengthy court cases with uncertain rules. Our reputation as a country that believes in human rights, justice, fairness and the rule of law—indeed, much of what the services exist to protect—risks being tarnished. Public confidence is being eroded, with people doubting the ability of our services to protect us and questioning the rules under which they operate. And terrorists and extremists are able to exploit those allegations for their own propaganda.

I myself, the Deputy Prime Minister and the coalition Government all believe that it is time to clear up this matter once and for all, so today I want to set out how we will deal with the problems of the past, how we will sort out the future and, crucially, how we can make sure that the security services are able to get on and do their job to keep us safe. But first, let us be clear about the work that they do. I believe that we have the finest intelligence services in the world. In the past, it was the intelligence services that cracked the secrets of Enigma and helped deliver victory in world war two. They recruited Russian spies such as Gordievsky and Mitrokhin, and kept Britain safe in the cold war. They helped disrupt the Provisional IRA in the 1980s and 1990s.

Today, these tremendous acts of bravery continue. Every day, intelligence officers track terrorist threats and disrupt plots. They prevent the world's most dangerous weapons from falling into the hands of the world's most dangerous states. And they give our forces in Afghanistan the information that they need to take key decisions. They do this without any public—or, often, even private—recognition, and despite the massive personal risks to their safety.

We should never forget that some officers have died for this country. Their names are not known; their loved ones must mourn in secret. The service that they have given to our country is not publicly recognised. We owe them, and every intelligence officer in our country, an enormous debt of gratitude. As Minister for the intelligence services, I am determined to do everything possible to help them get on with the job that they trained to do and that we desperately need them to do.

However, to do that, we need to resolve the issues of the past. While there is no evidence that any British officer was directly engaged in torture in the aftermath of 9/11, there are questions over the degree to which British officers were working with foreign security services who were treating detainees in ways they should not have done. About a dozen cases have been brought in court about the actions of UK personnel—including, for example, that since 9/11 they may have witnessed mistreatment such as the use of hoods and shackles. This has led to accusations that Britain may have been complicit in the mistreatment of detainees. The longer these questions remain unanswered, the bigger will grow the stain on our reputation as a country that believes in freedom, fairness and human rights.

That is why I am determined to get to the bottom of what happened. The intelligence services are also keen publicly to establish their principles and integrity. So we will have a single, authoritative examination of all these issues. We cannot start that inquiry while criminal investigations are ongoing, and it is not feasible to start it while so many civil law suits remain unresolved. So we want to do everything that we can to help that process along. That is why we are committed to mediation with those who have brought civil claims about their detention in Guantanamo. And wherever appropriate, we will offer compensation.

As soon as we have made enough progress, an independent inquiry, led by a judge, will be held. It will look at whether Britain was implicated in the improper treatment of detainees, held by other countries, that may have occurred in the aftermath of 9/11. The inquiry will need to look at the relevant Government Departments and intelligence services. Should we have realised sooner that what foreign agencies were doing may have been unacceptable and that we should not have been associated with it? Did we allow our own high standards to slip, either systemically or individually? Did we give clear enough guidance to officers in the field? Was information flowing quickly enough from officers on the ground to the intelligence services and then on to Ministers, so that we knew what was going on and what our response should have been?

We should not be for one moment naive or starry-eyed about the circumstances under which our security services were working in the immediate aftermath of 9/11. There was a real danger that terrorists could get their hands on a dirty bomb, chemical or biological weapons, or even worse. Threat levels had been transformed. The urgency with which we needed to protect our citizens was pressing. But let me state clearly that we need to know the answers, if things went wrong, why, and what we must do to uphold the standards that people expect. I have asked the right hon. Sir Peter Gibson, former senior Court of Appeal judge and currently the statutory commissioner for the intelligence services, to lead the inquiry. The three-member inquiry team will also include Dame Janet Paraskeva, head of the Civil Service Commissioners, and Peter Riddell, former journalist and senior fellow at the Institute for Government.

I have today made public a letter to the inquiry chair setting out what the inquiry will cover, so Sir Peter Gibson can finalise the details with us before it starts. We hope that it will start before the end of this year and report within a year. This inquiry cannot and will not be costly or open-ended; that would serve neither the interests of justice nor national security. Neither can it

be a full public inquiry. Of course, some of its hearings will be in public. However, we must be realistic; inquiries into our intelligence services are not like other inquiries. Some information must be kept secret—information about sources, capabilities and partnerships. Let us be frank: it is not possible to have a full public inquiry into something that is meant to be secret. So any intelligence material provided to the inquiry panel will not be made public, and nor will intelligence officers be asked to give evidence in public.

But that does not mean we cannot get to the bottom of what happened. The inquiry will be able to look at all the information relevant to its work, including secret information; it will have access to all relevant Government papers, including those held by the intelligence services; and it will be able to take evidence—in public—including from those who have brought accusations against the Government, and their representatives and interest groups. Importantly, the head of the civil service and the intelligence services will ensure that the inquiry gets the full co-operation it needs from Departments and agencies. So I am confident the inquiry will reach an authoritative view on the actions of the state and our services, and make proper recommendations for the future.

Just as we are determined to resolve the problems of the past, so we are determined to have greater clarity about what is and what is not acceptable in the future. That is why today we are also publishing the guidance issued to intelligence and military personnel on how to deal with detainees held by other countries. The previous Government had promised to do this, but did not, and we are doing it today. It makes clear the following: first, our services must never take any action where they know or believe that torture will occur; secondly, if they become aware of abuses by other countries, they should report it to the UK Government so we can try to stop it; and thirdly, in cases where our services believe that there may be information crucial to saving lives but where there may also be a serious risk of mistreatment, it is for Ministers, rightly, to determine the action, if any, that our services should take. My right hon. Friends the Foreign Secretary, Home Secretary and Defence Secretary have also today laid in the House further information about their roles in those difficult cases.

There is something else we have to address, and that is how court cases deal with intelligence information. Today, there are serious problems. The services cannot disclose anything that is secret in order to defend themselves in court with confidence that that information will be protected. There are also doubts about our ability to protect the secrets of our allies and stop them ending up in the public domain. This has strained some of our oldest and most important security partnerships in the world—in particular, that with America. Hon. Members should not underestimate the vast two-way benefit this US-UK relationship has brought in disrupting terrorist plots and saving lives.

So we need to deal with these problems. We hope that the Supreme Court will provide further clarity on the underlying law within the next few months. And next year, we will publish a Green Paper which will set out our proposals for how intelligence is treated in the full range of judicial proceedings, including addressing the concerns of our allies. In this process, the Government will seek the views of the cross-party Intelligence and Security Committee. I can announce today that I have appointed my right hon. and learned Friend the Member for Kensington (Sir Malcolm Rifkind) as the Chair of that Committee for the duration of this Parliament.

As we meet in the relative safety of this House today, let us not forget this: as we speak, al-Qaeda operatives in Yemen are meeting in secret to plot attacks against us; terrorists are preparing to attack our forces in Afghanistan; the Real IRA is planning its next strike against security forces in Northern Ireland; and rogue regimes are still trying to acquire nuclear weapons. At the same time, men and women, young and old, all of them loyal and dedicated, are getting ready to work again around the world. They will be meeting sources, translating documents, listening in on conversations, replaying CCTV footage, installing cameras, following terrorists—all to keep us safe from these threats. We cannot have their work impeded by these allegations, and we need to restore Britain's moral leadership in the world. That is why we are determined to clear things up, and why I commend this statement to the House.

Ms Harriet Harman (Camberwell and Peckham) (Lab): May I join the Prime Minister in paying tribute to the Royal Marine who died on Thursday, the soldier from the Royal Dragoon Guards who died yesterday, and the soldier from 1st Battalion the Mercian Regiment, who died from wounds sustained in Afghanistan yesterday? Our thoughts are with their grieving families.

I am grateful to the Prime Minister for his statement. The use of torture is morally abhorrent and has no place in this country or in any civilised society. It is against our law in this country, and indeed it is one of only a small number of offences that can be brought to court in this country no matter where in the world the offence was committed. It is a grave crime against humanity, and its prohibition is embodied in international law. There must be no hiding place for those who practise it and no excuse for those who turn a blind eye to it. The United Kingdom should always be at the forefront of international efforts to detect and expose torture and to bring those responsible for it to justice. To play our part in leading the world, we must lead by example.

I reiterate our condemnation of the US Guantanamo detention centre. It is clearly in breach of the law, which is why it is not on the US mainland and why we made great efforts to secure the release of British nationals and British residents from Guantanamo—the only country that successfully brought back its citizens. With our having secured the release of all our citizens and all but one of our residents, may I ask whether the Prime Minister is continuing the efforts that we made to bring back the final remaining British resident who is still detained?

May I agree with the Prime Minister that it is right that anyone who takes part in or aids and abets torture is criminally liable and must be accountable for their actions and responsible to the criminal courts? There is, of course, a criminal investigation under way, which was referred to the police by the then Attorney-General Baroness Scotland. Will the Prime Minister confirm that that investigation will proceed to its conclusion independently and unimpeded?

I agree with the Prime Minister that it is right that we have proper accountability for our security services, and I reaffirm our support in that respect for the work of the Intelligence and Security Committee. I welcome his

[Ms Harriet Harman]

appointment of the right hon. and learned Member for Kensington (Sir Malcolm Rifkind) to chair the committee. He will undertake that important work with the integrity and commitment for which he is respected in all parts of the House, ensuring that the ISC plays its part in the strong framework of accountability that includes accountability to Ministers; to the heads of the agencies; to the two commissioners for the intelligence services, both retired High Court judges; to the independent reviewer of terrorism legislation Lord Carlile, to whom I also pay tribute; and to the courts.

I welcome the publication today of consolidated guidance for intelligence officers and the military on the questioning of suspects held overseas. That was a complex process, which we committed to and was under way, so we are pleased that it has been completed with publication today.

I hope that the administrative inquiry led by Sir Peter Gibson, who is one of the Intelligence Services Commissioners, which the Prime Minister has announced today, will help bring the matter to a conclusion. Can he tell the House a bit more about the terms under which the inquiry will be conducted? What will it be able to do that the Intelligence and Security Committee is not able to do? Will the inquiry have extra powers that the ISC does not have, and if so, what?

The Prime Minister has told the House that the inquiry will be able to have some of its hearings in public; the ISC, of course, can do that. He has told the House that the inquiry will be able to look at all the information relevant to its work, including secret information. As I understand it, that is the case with the ISC. He says that it will have access to all relevant Government papers, including those held by the intelligence services, and I very much hope that that will be the case for the ISC. He also says that it will be able to take evidence in public, including from those who have brought accusations against the Government and their representatives and interest groups. That is, of course, the case with the ISC too. He concluded that the inquiry would have the full co-operation of the civil service and intelligence services, and of course we hope that that is always the case with the ISC.

The Prime Minister has confirmed that concluding the question of criminal responsibility will take precedence, and that the administrative inquiry will start only when the criminal investigation and any proceedings thereafter are concluded. As he said, there are currently under way a number of cases in the civil courts in which former detainees are taking action against members of the security services. Can he clarify more specifically the effect of the mediation in advance of the administrative inquiry on these cases? Can he confirm that those cases will not be superseded by the inquiry, which would need the consent of the plaintiffs and any future plaintiffs? Can he clarify the circumstances in which compensation might be awarded if the courts ultimately found that there was no liability?

Will the Prime Minister acknowledge the importance of the Human Rights Act 1998, which enshrines in British law the European convention on human rights and the protections that article 3 affords:

"No one shall be subjected to torture or to inhuman or degrading treatment or punishment"?

Will he affirm to the House today his support for the Human Rights Act, which ensures that, when there is a breach of human rights, including the right not to be tortured, the victim can take action in our courts rather than spending up to seven years taking the case to the European Court of Human Rights in Strasbourg? Will he reaffirm that it is never right for us to deport from this country those who would face torture in their home country?

I invite the Prime Minister to reaffirm the UK's support for the work of the United Nations to end torture, including the convention against torture and the 2002 optional protocol, which establishes an international system of inspections for places of detention.

So that the security services can proceed with their important work to protect this country, with all inquiries concluded, will the Prime Minister confirm how long he expects the inquiry to take from when it starts work? He said that it would take no longer than a year. We hope that it can start as soon as possible, but will he explain how he believes that it will be able to start before the end of the year?

I endorse the Prime Minister's support for the difficult and often dangerous work of our security services. The whole country has reason to be grateful to officers from all branches of the intelligence services for their fearless work throughout the world to keep this country safe.

The Prime Minister: May I thank the right hon. and learned Lady for her response and questions? She is right to pay tribute to the security services. It is because we revere and respect what they do that we want to get on with the inquiry and get it done. To answer one of her questions, that is why it is limited to a year, and I hope that it gets started before the end of the year.

Let me deal with the questions in turn. I agree with the right hon. and learned Lady about torture—we have signed countless prohibitions against it, we do not condone it anywhere in the world, and we should be clear that information derived from it is useless. We should also be clear that we should not deport people to be tortured elsewhere, but we should redouble our efforts—my right hon. Friend the Foreign Secretary will be doing that with the Home Secretary—to ensure that we can have guarantees from other countries so that we can deport people to them knowing that they will not be tortured.

On Guantanamo, we are making efforts on behalf of the case that the right hon. and learned Lady mentioned. As she probably knows, it involves a UK resident rather than a UK national.

On whether the current criminal case can continue unimpeded, yes, of course it can. It is a matter for the police and the prosecuting authorities.

The right hon. and learned Lady made several points about the Intelligence and Security Committee. I thank her for her comments about my right hon. and learned Friend the Member for Kensington. He will do an excellent job and it is an important committee. However, in answer to why there is an inquiry rather than the Intelligence and Security Committee doing the job, the inquiry will be led by a judge and will be fully independent of Parliament, party and Government. That is what we need to get to the bottom of the case. The fact that it is led by a judge will help ensure that we get it done properly. Although I have ultimate respect for the

Intelligence and Security Committee, during the previous Parliament, there was such a run-around between the Government and the Committee—not about holding an inquiry, but about publishing the guidance—that I wonder whether the right hon. and learned Lady is taking the right line on that. It is much better to have a judge-led inquiry—*[Interruption.]* She has not taken a position, and I am pleased to hear that.

The right hon. and learned Lady asked why we should try to mediate civil cases. We want to clear the decks, get the inquiry done and sort out the problem, so why not try to mediate the existing civil cases, roll them up, deal with them, hold the inquiry, get to the bottom of what happened, and set out the guidance for the future so that we remove the stain on Britain's reputation and ensure that our security services can get on with the work? I do not see an alternative; I think that the Government have gripped the matter quickly and comprehensively. I think that is the right answer so we can move on.

Sir Menzies Campbell (North East Fife) (LD): Anyone who has been a member of the Intelligence and Security Committee would want to join in the tributes to all three services that the Prime Minister and the acting leader of the Labour party paid. The Prime Minister has struck a delicate balance between competing interests. Perhaps the most powerful reason for having a judge rather than the committee—apart from the volume of material that must be examined—is the primary need to ensure public confidence and an outcome that satisfies the public that everything has been done fully and impartially to get to the bottom of the allegations.

The Prime Minister: I am very grateful to my right hon. and learned Friend for the way he puts that. Public confidence is essential and there are competing interests. I do not want to hide that from people. That is the reason for not having a full judicial inquiry. We want a judge-led inquiry, but at the same time, we need to have regard to the importance of the security services and their work, and to the fact that a lot of what they do must, by its very nature, remain secret.

Mike Gapes (Ilford South) (Lab/Co-op): The Prime Minister referred to his hope that the inquiry could be established by the end of the year if the mediation process leads to the court cases being removed from the equation. Is not that very naive? What possible incentive would people have to come to an agreement unless they are to be given very large amounts of money? At this time of public concern about the finances, will he clarify what he is proposing? How much money will be available, and what happens at the end of the year if people do not accept a mediation process? Does no inquiry start?

The Prime Minister: I have to say to the hon. Gentleman that what would be naive is to try to mediate in public, which he is inviting me to do. I do not think that that would be sensible. To try to answer his question as directly as I can, I think there are two things that those involved in such cases might want, one of which is compensation if they feel that they have been mistreated. Mediation can deal with that, but the second thing they might want, which the inquiry goes to, is some recognition of what went wrong—if something went wrong—and to know what we are going to do about it. Therefore, the two-stage process of the mediation and the inquiry is the right answer.

Richard Ottaway (Croydon South) (Con): May I welcome the Prime Minister's statement and in particular the warm and justified support that he gave to the intelligence services? In the previous Parliament, the Intelligence and Security Committee produced two reports, neither of which was published. The first was into the rendition and interrogation of Binyam Mohamed, and the second was into the guidance and treatment of detainees. Will he confirm that both reports will be made available to the inquiry? Will the guidance that he is publishing today be the same guidance that was in force for the past decade, or will it be the revised guidance to which the Home Office and Foreign Office were opposed until as recently as last April?

The Prime Minister: My hon. Friend served on that Committee and knows its work extremely well. To answer his questions, it is right that the reports to which he refers will be made available to the inquiry. The guidance we are publishing today is neither the past guidance nor the guidance the ISC looked at: it is indeed new, amalgamated guidance, which is public, and I urge him to read it. We are not publishing the ISC report from the previous Parliament on the last set of guidance, because that would be slightly misleading—it is a report into guidance that no longer exists. That is the right approach, and I ask him to look at the guidance to see what he thinks.

Hazel Blears (Salford and Eccles) (Lab): I welcome the Prime Minister's statement and in particular his support for, and reaffirmation of, the very brave work of the security services. He will be all too well aware of the likely impact of the inquiry on communities here in Britain, because of the events that it deals with. As the inquiry progresses, I ask him to be conscious of the need to explain, to be as transparent as possible, and to be aware of the impact on our communities here in Britain of some of the allegations that may be made in relation to events that occurred elsewhere.

The Prime Minister: The right hon. Lady makes an extremely good point, and all right hon. and hon. Members can play their part. Different communities in our country will welcome what has been said today as an effort to get to the truth and the facts, and to find out what happened to make sure it cannot happen again. That will be welcomed, and I am sure she will be able to play her part in that.

Mr Andrew Tyrie (Chichester) (Con): I warmly welcome the Prime Minister's statement. It was courageous and very thoughtful, and the inquiry is a huge step forward as it can draw a line under a sorry affair that has been eroding public confidence in our security services, which do such good work on our behalf. Will he clarify that the remit that will be given to the inquiry will be broad enough to encompass all allegations of complicity in rendition, including on rendition flights, the use of Diego Garcia and the transfer of prisoners in theatre?

The Prime Minister: Yes, I can confirm that the inquiry will be able to look at all those issues, including rendition, extraordinary rendition and the case that my hon. Friend mentions involving Diego Garcia.

Mr George Howarth (Knowsley) (Lab): As a former member of the Intelligence and Security Committee, I welcome the Prime Minister's statement today. What he proposes to deal with the past is correct and what he proposes for dealing with the future is correct. However, I have some concerns about the present. Before the inquiry is established, some cases will arise in which there may be some doubt about an issue that has arisen and the dangers to public safety in this country. Can he give the House an assurance that when ministerial involvement is necessary—and I accept that that is a good way forward—it will, in such cases, be dealt with speedily?

The Prime Minister: The right hon. Gentleman makes an important point. All the published guidance in the world cannot deal with all the incredibly difficult circumstances in which our brave intelligence officers find themselves in different parts of the world. The guidance is there as guidance. It is as clear as it can be, but it is right that there are circumstances in which decisions are referred to Ministers. In the end, Ministers are accountable in Parliament and are able to make those decisions. The right hon. Gentleman's point is a good one: if that happens, it may need to happen very speedily, and we will put in place arrangements so that that can happen.

Mr David Davis (Haltemprice and Howden) (Con): I commend the Prime Minister on coming to such a fast decision on this important issue and I support what he had to say today, including his commendation of our intelligence services. Will he reinforce what I think underpinned much of what he said, which was that this tribunal will be able to follow the evidence wherever it goes; that it will not only have access to people and papers, but to in camera court records that relate to this; and, when it comes to conclusions, it will be the decision of the tribunal, and the tribunal alone, as to what is published in the national interest?

The Prime Minister: I thank my right hon. Friend for those points and for his support on this issue. It was important to reach a speedy conclusion, because this has been hanging over us for too long. We are not dealing with issues that we have inherited from 2007, 2008 and 2009. These go back some way, to after 9/11, and it is important that we grip them. He asked whether the inquiry would be able to look at court records, and I am sure that the answer to that is yes. As for what will be made public, it will be for Sir Peter to draw up his report. He can follow the evidence exactly where it leads, he can look at secret documents and all the intelligence information, but the report will be to me—and in the end, as Prime Minister and Minister for the intelligence services, I have to make a decision about what should be put in the public domain. It is my intention to publish the report—that is what I want to do—but I have to have regard for what is in the national interest and in our security interest, and that is something that I will have to decide.

Mr David Winnick (Walsall North) (Lab): On the eve of the fifth anniversary of 7/7, no one in this House is likely for one moment to underestimate the acute terrorist threat, but is it not a matter of great concern that one of our most senior judges, the Master of the Rolls, said this year in court that British security officials

"appear to have a dubious record when it comes to human rights and coercive techniques"?

Did not experience in Northern Ireland over 30 years demonstrate time and again that torture only helps terrorism, and certainly does not help to undermine it?

The Prime Minister: There is no suggestion that British agents, officials or security service personnel were in any way involved directly in torture. It is important that we get it straight that that is not what is being said. The hon. Gentleman's general point is right: we do not keep ourselves safe and secure—or promote the things in which we believe—if we drop our standards. We both served on the Home Affairs Committee that met in those difficult days straight after 9/11, and I remember—I am sure that he does, too—the great pressure there was on everybody to find out what was going to happen next. We should remember, as we carry out this inquiry, the pressures that were on security services across the world to try to prevent a repeat of those dreadful events.

Sir Alan Beith (Berwick-upon-Tweed) (LD): Will the previous findings of the Intelligence and Security Committee on all these matters be, partly, the building blocks of the inquiry? Will the Prime Minister also concede that the test that he has rightly reserved to Ministers represents a classic moral dilemma, because while taking every possible step to ensure that Britain has in no way assisted or abetted torture, a decision has to be made on how to relate to the services of regimes whose conduct we do not trust, but who may hold information vital to the safety of the people of this country?

The Prime Minister: The right hon. Gentleman is right that the previous ISC findings will be enormously helpful to the inquiry. However, let me try to clarify a bit further what Ministers would have to decide—although hon. Members can also read the guidance published today. It is not that Ministers would be consulted in cases of torture, because torture is ruled out completely. This difficult matter refers to cases of so-called mistreatment, of which there is no proper definition: it can range from things that we would probably consider to be torture, such as waterboarding, to factors such as an inappropriately sized cell. That is why there is some need, in the very difficult circumstances with which one of our agents could be faced, for that level of discretion. That is the sort of moment we have to try to consider and get right, and not be over-bureaucratic about.

Keith Vaz (Leicester East) (Lab): I welcome the establishment of this inquiry and the appointment of the right hon. and learned Member for Kensington (Sir Malcolm Rifkind). The Prime Minister is right to praise the work of the security services, but will he also acknowledge the work done by the Metropolitan police counter-terrorism unit? Given that, as a distinguished former member of the Home Affairs Committee, he has accepted one of the Committee's recommendations—the establishment of the National Security Council—will he consider the second recommendation in that area, which is for the Government to allow intercept evidence in court proceedings?

The Prime Minister: I am very keen on recommendations of the Home Affairs Committee. Another of its excellent recommendations was a border police force. On intercept, we all, I think, want to see that happen. We all want

more of those accused of terrorism to go through the court process, and to be tried, convicted and imprisoned—and intercept evidence would be hugely helpful. However, it is extremely difficult to do. One of the greatest enthusiasts in the last Parliament—apart from myself—for intercept evidence being available in court was the former Member for Folkestone, Michael Howard. He was on that Committee, but did not find a way to make this happen, so let us not overestimate how easy it is to do; it is not easy at all.

Mr John Redwood (Wokingham) (Con): I strongly welcome the Prime Minister's approach. Does he agree that recent years have shown that targeted surveillance and intelligence are much more successful at defending a free society than an ever greater extension of guards, guns and gates? This is why his work is so important. We need intelligence services that command universal respect and get to the truth as quickly as possible.

The Prime Minister: My right hon. Friend is completely right. We need a robust and hard-nosed defence of our liberty, which means having security services that can work properly. That is why today's announcement is important. However, we do not need what I would call ineffective authoritarianism, of which we had a bit too much under the previous regime—although I do not want to get political, as this is not a political day.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): Holding the Executive to account is supposed to be the role of Parliament, not of judges or independent inquiries. Does the Prime Minister not think it about time, therefore, that the Intelligence and Security Committee was made a Committee of the House, appointed by the House, not one appointed by, and reporting to, him?

The Prime Minister: I have only been doing this job for a few weeks, and I am very happy to look at that issue. I know that it has been discussed before. Can we change the nature of the Intelligence and Security Committee? Can we help it to do its job even better? I am very happy to look at that. However, I do not think for a moment that we should believe that the ISC should be doing this piece of work. For public confidence, and for independence from Parliament, party and Government, it is right to have a judge-led inquiry. I say to Opposition Members who take a different view that these events relate to 2002-03. If the ISC was the right answer, why on earth did it not come up with it in the previous years?

Mr Ben Wallace (Wyre and Preston North) (Con): The gathering of intelligence is not the same as the gathering of evidence: sometimes intelligence is required much more urgently and in a hostile environment. Could the Prime Minister give the House an assurance that after the inquiry is over, he will think very carefully before reintroducing any extra guidelines or regulations for our intelligence services that might prevent them from doing the job that they do so well at the moment?

The Prime Minister: I know that my hon. Friend has experience of these issues and thinks about them a lot. All I would say is that there is no doubt that there are serious allegations about what happened in the past. I do not want to pre-empt the report, but one thing that it needs to do is ask how we stop such things happening in future. One way to stop them is by having better guidance, so that our security services have a clearer understanding of what is and is not acceptable. That is not easy, and inevitably some people will say that the guidance is quite bureaucratic. I totally accept and understand that, but we have to have some way of trying to prevent what happened from happening again.

Valerie Vaz (Walsall South) (Lab): Does the Prime Minister know how many civil cases there are, and what the position would be if claimants did not wish to go to arbitration?

The Prime Minister: There are about a dozen cases, as I understand it. Obviously it will be better if the mediation is successful, those cases are rolled up, and we then go into the inquiry. Clearly the police have a view that the inquiry should not start until the criminal case is completed. I would hope that the civil cases can be dealt with through mediation, but if they are not, we will have to come back and consider what is appropriate.

Mr Bernard Jenkin (Harwich and North Essex) (Con): I commend the Prime Minister for his excellent statement, which I am sure will be greeted with some relief by the intelligence services, not least because he is standing by the control principle, which it is so important to restore—that is, the principle that intelligence lent to us by our allies should not be passed on, leaked or released through the courts, as has been happening, thereby damaging our intelligence relationships. Will he give an assurance that if it becomes necessary to amend the operation of the Human Rights Act 1998, he will not flinch from doing so in order to protect our relationships with our allies?

The Prime Minister: The intelligence services do welcome the statement today; obviously I have worked closely with them on this issue. From their perspective, what I have announced will not be without difficulties or a painful process of examination, but it will get them to a better situation—one in which we can deal with this stain on Britain's reputation and allow their officers to get on with the vital work that they do. My hon. Friend is right about the control principle. It is a simple point: if other countries do not feel that we will protect the intelligence information that they give us, they will not give it to us any more—and if they do not give it to us any more, we will not be as effective at keeping people safe. The control principle is therefore vital, although I do not think that it has anything to do with the Human Rights Act. We shall address that matter next year, through a Green Paper that can be debated and discussed in the House, because it is not easy to find a way to protect secret information in an open liberal democracy, but we have got to do it.

Ian Paisley (North Antrim) (DUP): I, too, welcome the statement by the Prime Minister and pay tribute to the gallant, dangerous and largely unrecorded work of our security services, which has saved the lives of many individuals, including people in this House. Will the Prime Minister ensure that the inquiry is short and sharp, and is not allowed to drift beyond the remit that he has outlined in his statement today or sap the morale of our security services, which can be put down by

[Ian Paisley]

inquiries that are largely used as propaganda tools by their enemies? On the judicial proceedings, will the Prime Minister ensure that, like the previous Administration, he will consult, and that the right hon. and learned Member for Kensington (Sir Malcolm Rifkind) consults Privy Council members from Northern Ireland on security and intelligence matters, so that their voice is heard on those points?

The Prime Minister: I am sure that my right hon. and learned Friend the Member for Kensington will have heard what the hon. Gentleman has said. As for the reassurances that he seeks from me, first he asked whether the inquiry would be short and sharp. The answer is yes: it is limited to a year. Do we want to make it clear that the inquiry will not sap the morale of intelligence officers? Absolutely: the purpose of getting on with the process within the first couple of months of a new Government is to try to clear this issue away. It is not easy and it will take some time, but it is better to start now, with an ordered process—the mediation, the public inquiry, the guidelines for the future—in order to try to put our security services and our safety on a much better footing.

Tom Brake (Carshalton and Wallington) (LD): If the inquiry team believes that, for the sake of the credibility of the inquiry, intelligence material should be put into the public domain, and if it is safe to do so, can the Prime Minister confirm that he will allow that to happen?

The Prime Minister: That is a very good question. The answer is that if it is safe to do so, yes of course. This is not some political witch hunt to get at Ministers from a previous Government; that is not what this is about. Likewise, it is not about trying to cover up bad things that might have happened. It is about trying to get to the bottom of what happened, to explain the context and to get the information out there. As the Minister for the intelligence services, however, I have to have regard to what it is safe to release, and that is a responsibility that I have to take very seriously.

Mr Geoffrey Robinson (Coventry North West) (Lab): Is the Prime Minister aware, from the general tenor of the questions this afternoon, that his statement is very welcome throughout the House? He is to be commended for it. Can he confirm that the 46 documents originating from the CIA—about which there has been a lot of discussion—will be made available not only to the inquiry but perhaps more widely as well?

The Prime Minister: The point is that the inquiry can follow the evidence wherever it leads—but let me be clear that it is not an inquiry into what the US authorities have done. It is an inquiry into what UK personnel may or may not have done. It is important that we get that straight. The stain, if you like, on the British situation is the allegations of complicity, and of what our personnel might have witnessed or in some way been complicit in. That is what we have to deal with. We are not trying to have some great inquiry into the practices and procedures of other intelligence services; that is not what the inquiry is about.

Jane Ellison (Battersea) (Con): I very much welcome my right hon. Friend's statement. It will be even more warmly welcomed by Mrs Zineera Aamer and her children —the family of Shaker Aamer, the last UK resident in Guantanamo Bay. They are also my constituents. They are British citizens, and they have suffered greatly over the past eight years. Does my right hon. Friend agree that it adds urgency to the case that, in the event of the inquiry deciding that it wants to take evidence from Mr Aamer, he should, ideally, be available to give it?

The Prime Minister: My hon. Friend makes a very good point on behalf of her constituents. As I said in my statement, there will be opportunities for public evidence to be given to the inquiry, including from those who are making allegations against UK personnel. It is important that that is available, but as I said, a lot of this inquiry will not be held in public, because of the nature of what it is investigating.

Mr Denis MacShane (Rotherham) (Lab): I congratulate the Prime Minister and wish him well with the inquiry. I think that it is the fifth to have been set up since 9/11 and Iraq. If this one can bring some closure and draw a line, we would all be a lot happier. He made a point about mediation. Could part of that process involve encouraging certain gentlemen not to go out around the country supporting Islamists and jihadi principles and practices? That is a real problem. If they are free in our country, it is better that they do not encourage others to do things that are not very helpful.

The Prime Minister: The right hon. Gentleman and I would probably agree on the need to confront and defeat those who put forward extremist Islamist arguments. That is something that we have to do for the good of our country and for the good of the world. He asked whether an inquiry could draw a line under all this. All I would say is that I do not think there has yet been a proper attempt to look systematically at the set of allegations about whether British personnel were in any way complicit because of the things that they witnessed or were involved in. That has not been done, and it needs to be done. I would ask people who disagree: what is the alternative? Do we really want to let the civil cases roll on year after year, and have the people in our security services jammed up with paperwork trying to fight them? It is much better to clear them away and get to the bottom of this, to ensure that those people can get on with the job that they do so well.

Chris Leslie (Nottingham East) (Lab/Co-op): I think that many hon. Members on both sides of the House will understand the approach to mediation in some of the civil cases, but does the Prime Minister accept that the situation is a bit more controversial when it comes to compensation, particularly if no wrongdoing on the part of the security services has been proven? Will he therefore agree to having at least some level of transparency after these processes have been completed, perhaps by publishing the amounts of compensation involved—or at the very least by not exempting that information from the Freedom of Information Act 2000?

The Prime Minister: The hon. Gentleman is right to say that this is a difficult process. Nobody wants to pay compensation that is not warranted. I would say two

things to him, however. One is that it is getting increasingly difficult for the security services to defend themselves in the civil actions, because the information that they would use to defend themselves would then be made public. They do not want that to happen, so they do not bring the information forward and they cannot therefore win the case. The second thing that I would say to him is that the point about mediation is that it is a private process, and if we start advertising our mediation strategy—or, indeed, our mediation outcome—it is not necessarily going to make mediation very easy in future.

Pete Wishart (Perth and North Perthshire) (SNP): I, too, very much welcome the statement, and I find it extraordinary that, after the Labour years, a Conservative Prime Minister is making it. The Prime Minister says that he does not want to be political, but perhaps I can encourage him just a little bit. Given the Labour party's refusal, when in government, to accept claims of torture, and its various attempts to try to make all this go away, does he not believe that former Ministers and Secretaries of States should appear before the inquiry?

The Prime Minister: It will be a matter for the inquiry to decide who it wants to see as witnesses, and it will be able summon whoever it wants. Let me stress again that this is not some attempt to draw former Ministers into some great argument; that is not what it is about. If the inquiry wants to talk to Ministers to ask them what information made it, or did not make it, to their Departments, of course it can. Above all, this is a clear attempt to get to the bottom of what happened in those very difficult years in very difficult times when allegations were made which, as the hon. Gentleman says, need to be addressed. I am pleased that our new Government have set up what I think is the right process for doing that.

Several hon. Members *rose—*

Mr Speaker: Last, but certainly not least, I call Mr. Mark Durkan.

Mark Durkan (Foyle) (SDLP): I thank the Prime Minister for acknowledging dimensions of this issue that the previous Government either denied or dithered about. Does he also accept, however, that not all of us can join in the canonisation of the security services, because many of us believe that they were complicit in some of worst crimes carried out by both loyalists and republicans in Northern Ireland? Can the Prime Minister address the peculiar sequence that now seems to be in front of us: mediation, compensation, then investigation by this inquiry—and then, presumably, adjudication and publication thereafter? Might that not be a self-frustrating sequence?

The Prime Minister: I hope that it is not. We have spent some time looking at this issue, trying to find the right way to deal with it, and we think that mediation, followed by the judge-led inquiry, is the right way to get to the bottom of it. On the hon. Gentleman's point about the security services, I would ask him to take a wide view and look across the years, across the history and across what the security services do today—not just in Northern Ireland but right across our world—to help keep people in this country, and indeed in this House, safe. I think we should end on the note of paying tribute to those brave men and women—they are never known about, and some of them die in this cause and cannot be mourned properly by their families—and of thanking them for what they do on our behalf.

Several hon. Members *rose—*

Mr Speaker: I can see that the House is hungry.

Points of Order

4.23 pm

Vernon Coaker (Gedling) (Lab): On a point of order, Mr. Speaker. Yesterday the Secretary of State for Education made his chaotic announcement about decimating the Building Schools for the Future programme. It now transpires that a list naming the schools affected, which should have been available to Members during the debate, contained errors, and a revised list had to be sent out. There are also some authorities that think they might be affected, although they are not named.

As you can imagine, Mr Speaker, this has caused considerable anxiety and confusion. Is it not essential that on such a sensitive subject, this House must have timely and accurate information? Is there any way in which you can request the Secretary of State to come to the Chamber and account for this totally unacceptable situation? At the same time, can he also account for the serious allegations that he made yesterday against the former Secretary of State, who he claimed had made

"unsustainable and irresponsible promises that he knew no Government could keep",

while also saying that

"£2.5 billion of unfunded commitments is evidence of scandalous irresponsibility"—[*Official Report*, 5 July 2010; Vol. 513, c. 54.]?

We now know, thanks to a letter from the permanent secretary at the Department, who is the chief accounting officer, that that was not the case and that the current Secretary of State was totally wrong. Mr. Speaker, should not the Secretary of State come to this House, set the record straight and apologise?

Mr Speaker: I am grateful to the hon. Gentleman for his point of order, and for advance notice of it. First, I reiterate what I said yesterday—that, of course, statements to this House should be both timely and accurate. Secondly, I think it only fair to point out to him that matters relating to the content of statements are not matters for the Chair. Thirdly, he drew attention to the letter sent by the permanent secretary to the right hon. Member for Morley and Outwood (Ed Balls). He referred to that letter very specifically in a point of order to me last night. It is possible that he felt that it deserved a larger audience today, but Members can consult yesterday's *Hansard*. I do not think it would be proper for me to add anything more, but the hon. Gentleman is certainly an enthusiastic pugilist.

Paul Flynn (Newport West) (Lab): On a point of order, Mr Speaker. The practice of reading out the names of the fallen is a welcome new tradition in the House, and is greatly appreciated by their loved ones. We know the special intense silence that greets such readings. Last Monday and today, the names of the fallen were read out as part of statements—on the G20 last Monday, and on extraordinary rendition today. I know that there is no Member in the House who would want to seem to downgrade the gratitude, appreciation and respect that we feel for those who have given their lives, but if we move the reading to another time, it could be interpreted as an attempt to bury bad news. Will you consider that, Mr Speaker, and make representations to ensure that the names of the fallen are read at the time of maximum attendance in the House, and at the time when the House receives maximum attention from outside?

Mr Speaker: I am grateful to the hon. Gentleman for his point of order. I do not think that anyone would want to downgrade the significance of what has taken place, or the importance of informing the House of the details of those who have perished. The Prime Minister, on a number of different occasions and at different times of the week, has given the House such details, and I know that he has done so in all solemnity. I do not think it would be right for me to add anything further at this stage, but I am happy to reflect on the hon. Gentleman's point, and I know that others will do so as well.

Mr Tom Watson (West Bromwich East) (Lab): On a point of Order, Mr. Speaker. Young people in my constituency were reassured yesterday when they were told that the schools there would not be affected by the Building Schools for the Future cuts. I have now been informed that the organisation Partnerships for Schools has contradicted the statement that the Secretary of State made to the House, and that Manor, George Salter and Menzies schools face an uncertain future. People make mistakes, Mr Speaker, but is it not unreasonable for the Secretary of State not to put the matter right? If he is indeed wrong and Partnerships for Schools is right, those young people in my constituency deserve an apology for having their hopes raised and then cruelly dashed 24 hours later.

Mr Speaker: I am grateful to the hon. Gentleman for his point of order, and also for giving me advance notice of it. He will understand that I am reluctant to be drawn into the detail of the debate, but I will say this to him. As I have already indicated, statements to the House should be both timely and accurate. Obviously, if something said to the House is misleading—that is a strict and tough test—it should be corrected; if any apology is required—I do not know whether it is—I hope that it will be forthcoming.

I did comment yesterday on the difficulties for the House of learning about detailed announcements when a Secretary of State possesses full details and the House does not. I made very clear my view that in the name both of courtesy and of effective scrutiny, if a Minister making a statement possesses a list, he or she has a duty to put that list on the Table of the House or in the Vote Office or both, at the start, not the end, of the statement.

It may also be helpful if I say to the hon. Gentleman and the House both that his point will have been heard on the Treasury Bench—I am delighted to see that the Leader of the House is present—and that there will be further opportunities to take up the matter, not least during oral questions to the Department for Education next Monday, 12 July. I have not, however, been notified of any further statement to be made on this subject today.

Helen Jones (Warrington North) (Lab): On a point of order, Mr Speaker. It has been said on a number of occasions from the Treasury Bench that the previous Government made unfunded spending commitments. Labour Members have repeatedly asked Ministers to produce, if that were the case, the letter to the permanent secretary giving a ministerial direction for those things

to take place. Is there any way that you, as Speaker, can ensure that a Minister comes to the House and produces that letter of direction—or, if not, that Ministers apologise for the slurs that they have placed on Members?

Mr Speaker: The hon. Lady is a very wily and experienced operator, and she knows that I could be forgiven for concluding that she is attempting to continue a debate started yesterday by the right hon. Member for Morley and Outwood, the shadow Secretary of State for Education, and continued with some poise and persistence by the hon. Member for Gedling (Vernon Coaker), who is still sitting on the Front Bench. In fact she may, for all I know, be engaged in a double act with the hon. Gentleman. However, she has made her point with her customary eloquence, and it is on the record.

Finance Bill

Second Reading

4.31 pm

The Chief Secretary to the Treasury (Danny Alexander): I beg to move, That the Bill be now read a Second time.

The emergency Budget takes tough action at a critical time for the British economy. The Bill implements many of the necessary measures in the Budget. As my right hon. Friend the Chancellor of the Exchequer said in his statement:

> "The coalition Government have inherited from their predecessors the largest budget deficit of any economy in Europe, with the single exception of Ireland. One pound in every four we spend is being borrowed." —[*Official Report*, 22 June 2010; Vol. 512, c. 166.]

The gap stands at £149 billion for this financial year alone. Yet the previous Government left us with no credible plans to reduce their record deficit. Nothing at this time is more urgent for Britain than setting out a tough, realistic and fair plan that demonstrates how we will regain control of the public finances.

Kelvin Hopkins (Luton North) (Lab): Would not a better plan be for the Government to try to collect some of the taxes that are not paid, rather than cutting the wages and jobs of people in the public sector?

Danny Alexander: I am grateful for that intervention. Of course the hon. Gentleman will know that the Bill includes some anti-avoidance measures, to which I will come in my speech. I trust, therefore, that he will welcome those measures.

Mr Kevan Jones (North Durham) (Lab): The right hon. Gentleman just told the House that the previous Government's plans for a reduction were not credible, but how can he say that when the Office for Budget Responsibility's latest independent analysis found that the Labour reduction plan would have more than achieved the target to halve the deficit over four years from 11.1% in 2009-10 to 5% in 2013?

Danny Alexander: I am grateful for that intervention. As the OBR set out both in its pre-Budget forecast and in the forecast published with the Budget, the comparison that the hon. Gentleman is seeking to make is based on interest rate assumptions that took into account market expectations under this Government's measures, not market expectations of the measures that the previous Government were taking. He should read the OBR report if he does not agree, because that is an accurate account of what it says. It is clear that, had the previous Government carried on with their plans, interest rates would have been different. The risks that we are seeking to avoid through the Budget are those of higher interest rates, lower growth and fewer jobs, which I believe would be the consequence.

Clive Efford (Eltham) (Lab): In light of that answer, what are we to make of Sir Alan Budd's resignation today? The right hon. Gentleman puts much store by the OBR's reports, but did they not contribute to Sir Alan relinquishing his post? He said that this was

[Clive Efford]

the greatest challenge of his professional career. He must have an extremely exciting career that he can give up that post so quickly.

Danny Alexander: I am grateful to the hon. Gentleman for giving me the opportunity to place on the record my thanks and those of this Government to Sir Alan Budd for his superb work in establishing, in a short period, an independent Office for Budget Responsibility with a strong reputation. It was always known that he intended to move on after a short period—a few months—in his post, and that is what he is doing. In a short time, he has established greater independence of the forecasts that go with the Budget than the previous Government managed in 13 years.

Chris Leslie (Nottingham East) (Lab/Co-op): Sir Alan Budd is leaving the Office for Budget Responsibility, so to ensure that that organisation is seen to be independent, will the right hon. Gentleman give the House of Commons the power to appoint the successor or is he going to keep that for himself as a Minister?

Danny Alexander: I am not sure that that power ever rested in the hands of the Chief Secretary but, as the hon. Gentleman knows from the Gracious Speech, the Government intend to implement legislation to put the OBR on a statutory footing. He will have the opportunity to make that point in considering that legislation, and I am sure that he intends to do so.

Several hon. Members *rose—*

Danny Alexander: I would like to make progress.

We have considered the plans of the previous Government and it is clear that they left us open to the risk of ending up in an even more serious crisis than that which we currently face. Such a crisis could ask questions of the kind that some other European countries face today, with higher interest rates—I mentioned those to the hon. Member for North Durham (Mr Jones)—more businesses going bust and higher unemployment. That is not a risk that we are prepared to take. The Budget takes the tough action necessary, but it does so with fairness, protecting the most vulnerable, including children in poverty and pensioners. In his emergency Budget, my right hon. Friend the Chancellor has set out clearly how we will pay for the bills of the past and start to plan for the future. This has already had an impact on the credibility of and confidence in the British economy.

Helen Jones (Warrington North) (Lab): On fairness, it is clear that the measures that the right hon. Gentleman is enacting mean that the poorest 10% of people lose in percentage terms twice as much of their incomes as the richest 10%. What definition of fairness is he using when he says that that is fair?

Danny Alexander: I am sorry, but I do not accept the figures that the hon. Lady set out. If she looks at the information presented in the Red Book, she will find that it shows that the richest 10% of the population pay the greatest contribution, both as a share of their income and in cash terms. That is what I mean by fairness, and that is what we have set out. It is worth pointing out to her that this is the first time that a Government have chosen to set out in detail in the Budget documentation the distributional impact of the Budget measures. That is not a measure that the previous Government took, for example, when the 10p tax rate was being abolished.

Mr Kevan Jones *rose—*

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab) *rose—*

Danny Alexander: I will give way to the hon. Gentleman and then to the right hon. Lady.

Mr Jones: I know that the right hon. Gentleman is doing his apprenticeship, but does he not understand the difference between the proportion and the actual tax take? Surely for a family in my constituency who are earning the minimum wage, the VAT situation alone will mean that the effect on the proportion of their income will be larger. If he looked at the research paper that has been ably produced in the House of Commons, he would find that it points out that fact.

Danny Alexander: I ask the hon. Gentleman to look at the tables on page 67 of the Red Book. I draw his attention to chart A2, which is on the

"Impact of all measures as a per cent of net income by income distribution".

He will find that it makes it clear that the impact on the top decile is the highest as a share of income. Other charts make it clear that it is the highest in cash terms and that the impact is broadly progressive across income distribution.

Mr Liam Byrne (Birmingham, Hodge Hill) (Lab) *rose—*

Danny Alexander: I give way to the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper), who tried to intervene first.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): I am rushing to get to the ballot box—*[Interruption.]* The right hon. Gentleman is welcome to come to the ballot box too, if he so wishes. He will know that not only does chart A2 include the Labour measures from the March Budget, but it does not go beyond 2012-13 and does not include housing benefit. Is he also aware that the House of Commons analysis has shown that more than 70% of about £8 billion of direct tax and benefit measures introduced in his Budget are being paid by women? What figure does the Treasury put on the proportion of those direct tax and benefit measures being paid for by women?

Danny Alexander: There were a lot of questions there but not a single apology for the record of the previous Government. The single measure announced by the previous Government that is included in the charts in the Budget Book is the national insurance change. We have chosen to introduce that measure, so it is legitimate that we have included it in the charts. Other measures that affect people on higher incomes such as the increase in capital gains tax for higher rate taxpayers, which the

previous Government never chose to introduce, cannot be included in the tables, so the impact on the wealthiest may even be greater than is illustrated in the charts.

Matthew Hancock (West Suffolk) (Con): Does not the Minister, like me, find it a bit rich that Opposition Members look only at part of the Budget, not the whole, after 13 years in which they did not once introduce a distributional table?

Danny Alexander: I agree with the hon. Gentleman. It is a bit rich coming from the Opposition, given that we have set out for the first time in any Budget its distributional impact.

Mr Byrne: Will the Chief Secretary give way?

Danny Alexander: I wish to respond fully to the intervention. I will come to the right hon. Gentleman in a little while.

We have taken a number of measures in the Budget, such as the earnings link with pensions, with a triple lock of earnings, prices or 2.5%, which the previous Government never managed in 13 years. That is a record of which we can already be proud. I give way to the former Chief Secretary.

Mr Byrne: I wish to pursue the question asked by my right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper). What is the Treasury's analysis of how much of the £8 billion in tax and benefit measures will be paid for by women?

Danny Alexander: As I understand it, the House of Commons analysis does not include the impact of all the measures in the Budget. VAT is paid much more in cash terms—that has been accepted by the Institute for Fiscal Studies—so it is paid more by the wealthiest. The analysis that we should rely on is that which is presented in the Budget because it shows that the distributional impact of the Budget measures hits those on highest incomes hardest. That is the relevant measure and the one that I intend to draw attention to.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): I commend my right hon. Friend on the fairness that he has ensured runs right through the Budget, especially in respect of pensioners, but may I draw his attention to one small potential unfairness that may have crept in? Pensioners who are on a modest works pension and the state pension will pay £100 more in tax this year than they did last year because of the difference in the thresholds. I am sure that this was inadvertent. Will he look again at that particular issue?

Danny Alexander: I am grateful for that intervention. I am sure that my hon. Friend will have the chance to raise that point either in Committee or on the Floor of the House when the Bill is considered.

Barry Gardiner (Brent North) (Lab): Has the Chief Secretary analysed the impact of the Budget measures on women? If not, will he commit to doing so?

Danny Alexander: I can confirm that we have carried out an analysis of the Budget across the income distribution to evaluate its fairness. We have also conducted an analysis of the impact on child poverty, which is the most important aspect. We have ensured that, even in the toughest Budget since the second world war, there will be no impact on measured child poverty—something that could not always be said of the previous Government's Budgets.

Ben Gummer (Ipswich) (Con): Opposition Members like talking about apprenticeships. I am a relative newcomer to the House so can my right hon. Friend enlighten me? What happened to the gap between rich and poor under the previous Government? For my information, did it get wider or narrower?

Danny Alexander: The hon. Gentleman is clearly not as much of an apprentice in this House as he claims to be. The gap between rich and poor got wider during the previous Government's term.

The measures in the Budget have already had an impact on the credibility of and confidence in the British economy. As the director general of the CBI, for example, has said:

"This budget is the UK's first important step on the long journey back to economic health."

The Fitch rating agency said:

"The path of deficit reduction and public debt projections set out in"

the

"Budget statement are materially stronger than that set out in the March 2010 Budget."

On fairness, the chief executive of Barnardo's said:

"we recognise the Government has done what it can to protect the most vulnerable."

Mr Andrew Love (Edmonton) (Lab/Co-op): Will the right hon. Gentleman give way?

Danny Alexander: I will make some progress and give way to the hon. Gentleman later.

The Bill shows how the Government will carry out Britain's unavoidable deficit reduction plan in a way that strengthens and unites the country. The Budget and the Bill stand for three things. The first is responsibility—taking action to eliminate the structural deficit. The second is freedom—helping the businesses on which we all rely to rebuild our broken economy. The third is fairness—protecting the most vulnerable, while ensuring the contribution of all. Those principles are at the centre of the Bill before the House today and I shall address each in some detail shortly.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): The right hon. Gentleman mentioned fairness and businesses, and I would like to draw his attention to rural areas. He will understand that the increase in VAT will affect fuel prices in rural areas. Would it not be right to have a rural fuel derogation pilot in place before the VAT increase takes effect?

Danny Alexander: I am very grateful for that intervention. The hon. Gentleman knows that we are investigating a rural fuel derogation of some sort—that was repeated in the Budget statement. Although I cannot make a commitment on timing, as he knows, I am personally very enthusiastic about such a measure and I will continue to work with my colleagues on it.

Stewart Hosie (Dundee East) (SNP): Will the right hon. Gentleman give way?

Danny Alexander: I want to say a word or two about the process of the Finance Bill.

Chris Bryant (Rhondda) (Lab): Will the Chief Secretary give way?

Danny Alexander: No, I want to make some progress.

The Finance Bill before the House today seeks to ensure that the Government's key tax priorities as set out in the emergency Budget are put on the statute book as swiftly as possible. This year, however, we face exceptional circumstances owing to the timing of the general election, which resulted in a curtailed Finance Bill following the previous Government's March Budget and a relatively short timetable between our emergency Budget and the summer recess. There remain a number of minor and technical measures that we inherited from the previous Government and which must be legislated for before 2011. We shall therefore introduce those measures in a further Finance Bill in the autumn. Consistent with our aim of greater scrutiny of tax legislation, again set out in the Budget, we shall publish all those measures in draft for consultation before the end of July.

Chris Bryant: The right hon. Gentleman says that he is thinking about a derogation for rural areas in relation to VAT on fuel. May I point out that not a single house in the Rhondda is more than half a mile from a farm, so will he include the Rhondda in a derogation not only from VAT on fuel but from everything else as well?

Danny Alexander: The hon. Gentleman has misunderstood what is being discussed, which is no surprise, given the previous Government's attitude to the idea, as the hon. Member for Na h-Eileanan an Iar (Mr MacNeil) knows. We are not talking about a VAT derogation; the proposal relates to fuel duty.

Ms Angela Eagle (Wallasey) (Lab): I was involved when the Treasury last looked at that idea. As the hon. Member for Na h-Eileanan an Iar knows, there are real hardships and we were very sympathetic. However, the Chief Secretary must admit that there are difficulties with developing such a policy, not least because of the potential for smuggling and fraud.

Danny Alexander: The hon. Lady says she was sympathetic—I attended a meeting where she expressed that sympathy—but no action by the previous Government resulted, despite the matter being pressed for a number of years. I am sure that my hon. Friend the Exchequer Secretary will look at all the issues as the question is investigated.

Mr MacNeil *rose—*

Danny Alexander: I hesitate to take further interventions, as we are somewhat outwith the scope of the Bill, but I will give way once more to the hon. Gentleman.

Mr MacNeil: I ask the Chief Secretary to consider this question. With rural fuel priced between £1.30 and £1.35 a litre, were a rural fuel derogation to apply in Na h-Eileanan an Iar, to where might we smuggle fuel? I would struggle to find anywhere where fuel is more expensive. That smuggling would be a problem is a ridiculous proposition. We had 13 years of nothing but sympathy from the last Government, with absolutely no action. I hope that this Chief Secretary does not make the same mistake.

Danny Alexander: I am grateful for the intervention, in both senses.

Returning to the Bill, I should say that our plan stands first and foremost for responsibility, because a failure to deal with the deficit is the greatest threat to our economy and to the well-being of our nation. A failure to act now would mean higher interest rates hitting businesses, hitting families and hitting the cost of repaying the Government's debt. That would mean more business failures and sharper rises in unemployment, and it would risk a catastrophic loss of confidence in the economy. The Budget's forward-looking fiscal mandate will eliminate the deficit in five years and put us on track to have the debt falling by 2015.

The Office for Budget Responsibility forecasts that the measures in our Budget will lead us to meet that challenge one year early and the bulk of the reduction will come from lower spending, rather than from higher taxes. My right hon. Friend the Chancellor announced that the spending review will conclude with an announcement on 20 October and address precisely how we will bring down spending.

Mr Michael Meacher (Oldham West and Royton) (Lab): If the Budget is to meet the objectives that the right hon. Gentleman has in mind, where exactly does he expect growth to come from over the next five years?

Danny Alexander: I draw the right hon. Gentleman's attention to the Budget measures forecast, which the OBR published. It demonstrated significant growth in the private sector, based at least in part on measures, which I shall come on to describe, in the Budget and in the Finance Bill.

Several hon. Members *rose—*

Danny Alexander: I am going to press on.

Barry Gardiner: Will the right hon. Gentleman give way?

Danny Alexander: I have given way already to the hon. Gentleman.

Let me turn to the first of the measures in the Bill.

Stewart Hosie: Will the right hon. Gentleman give way?

Danny Alexander: I shall, as I have not yet given way to the hon. Gentleman.

Stewart Hosie: The Chief Secretary to the Treasury makes the point about growth, but he has not really answered the previous question. The OBR suggests that business investment will increase by 8% to 11% almost every year, but can he tell us of any period of two, three or four years when business investment grew by 8% to

11%—particularly given that we are coming out of the deepest recession that anyone in this Chamber has ever seen?

Danny Alexander: Those are not my figures; those are the figures that the independent Office for Budget Responsibility produced. By the way, the figures that the previous Government put forward contained hopelessly over-optimistic forecasts for economic growth. In this Budget, we are taking measures to reduce corporation tax, to reduce the small companies rate of corporation tax and to tackle the Labour jobs tax on national insurance, all of which will help to support business development. Those measures, which I shall come on to if I get the chance during my speech, will all help to stimulate economic growth in the private sector, and that is the best way to lead this country out of the economic mess that we are in.

Mr Byrne: Perhaps I can help the Chief Secretary. There is a precedent for business investment matching the figures in the OBR's forecast: it has occurred once in the past 40 years. That is the rarity of the precedent on which he now relies for his future growth plan.

Danny Alexander: I am not sure that the right hon. Gentleman can do anything to help me, given that he left the note saying that there was no money left, and that his decisions led the country to that position. I hope that in response to this debate he chooses to apologise for the mess in which his Government left the country.

Owen Smith (Pontypridd) (Lab): Will the right hon. Gentleman give way?

Danny Alexander: I shall give way once more and then make some progress.

Owen Smith: Precisely further to my right hon. Friend's point, can the Chief Secretary point to any five-year period in the past 40 years when 2.5 million private sector jobs have been created—any one period?

Danny Alexander: My point is that that forecast was made by the independent Office for Budget Responsibility. In the previous Government's March Budget, their growth forecasts, which were not independent in that sense, were over-optimistic, and I am prepared to accept the forecasts of the independent Office for Budget Responsibility.

Derek Twigg (Halton) (Lab): Will the right hon. Gentleman give way on that point?

Danny Alexander: No, I am going to move on.

Let me turn to the first of the measures in the Bill. Given that the structural deficit is some £12 billion larger than the previous Government told us, we have to make difficult choices—whether to fill the black hole with yet more spending cuts or increase taxes. Further spending cuts would have made it impossible for the Government to protect the country's most essential services in the spending review. The only other option would have been to raise taxes on companies or on personal income, reducing the rewards for work at a time when hard work and endeavour must lead the recovery.

The VAT rise is unavoidable. As I said in the Budget debate, it is Labour's inheritance tax. Clause 3 increases the standard rate of VAT from 17.5% to 20% from 4 January 2011. Everyday essentials such as food and children's clothing, as well as newspapers and printed books, will remain zero-rated throughout the Parliament, protecting those on lower and middle incomes. Domestic consumption of fuel and power will remain subject to VAT at 5%.

Mr Love *rose—*

Danny Alexander: I shall give way to the hon. Gentleman, as I did not do so earlier.

Mr Love: Can the right hon. Gentleman point to any indication in the manifesto of either coalition party that there would be a VAT increase of the type he has just suggested?

Danny Alexander: No party proposed an increase in VAT at the election, and no party ruled one out. The Liberal Democrat manifesto—*[Interruption.]* If Opposition Members will listen, I will explain the situation. In the Liberal Democrat manifesto, we made it clear that we would seek to reduce the deficit through spending measures alone, unless, on grounds of fairness, it was necessary to increase taxes. That was a clear statement in our election manifesto. The rationale that I have just set out is based on the decision that we made. We felt that, given the £12 billion of extra structural deficit left us by the previous Government, the right decision was a rise in VAT rather than increased spending cuts.

Kate Green (Stretford and Urmston) (Lab): I am grateful to the Chief Secretary for explaining his approach to fairness. Can he explain why it is fairer to cut spending on public services, on which the poorest rely most, than to use a progressive system of taxation? Why does the balance have to be 20% in favour of taxation and a whopping 80% in favour of public spending cuts?

Danny Alexander: In a way, the hon. Lady makes my point for me. The point that I just made is that given the additional £12 billion of structural deficit, as revealed by the OBR forecast, that was left us by the previous Government, we had to decide whether to make £12 billion of further spending cuts or to establish a tax measure to fill the gap. We made the right decision. The tables in the Budget book show that the overall impact on fairness—particularly for children living in poverty, which is a long-standing concern of the hon. Lady's and on which she has a strong track record—is minimised.

Ian Lucas (Wrexham) (Lab) *rose—*

Charlie Elphicke (Dover) (Con): Will the Chief Secretary give way?

Danny Alexander: I am going to make progress for a few moments, or the former Chief Secretary will never get a chance to have his say.

[Danny Alexander]

Clause 4 takes further action to tackle the deficit by increasing the standard rate of insurance premium tax from 5% to 6%. The higher rate of insurance premium tax will increase from 17.5% to 20% from 4 January 2011, to bring it into line with the new VAT rate. The increases are both fair and sustainable.

Chris Leslie *rose—*

Danny Alexander: I am going to make some progress.

Chris Leslie: On insurance premium tax?

Danny Alexander: I give way on insurance premium tax.

Chris Leslie: Is it fair to increase the higher rate of insurance premium tax to 20% on travel insurance, which is vital for many ordinary working people as they take a break and go on holiday? They may be able to do so for only one or two weeks a year. If they do not have travel insurance, that could leave them in significant jeopardy. Will the increase not prevent or deter people from taking out travel insurance?

Danny Alexander: I am sure that the hon. Gentleman is right to exhort people to take out travel insurance. As he will know, when insurance premium tax was established, both its lower and higher rates were linked to VAT. It is therefore right that they go ahead together on the same basis.

We have inherited plans to limit tax relief on pension savings for the wealthiest. We have concerns about the complexity of the changes and their potential consequences for pension saving, UK competitiveness and the complexity of the tax system. However, given the state of the public finances, we cannot be blind to the £3.5 billion of revenue that the policy was set to raise. Therefore we have set out our commitment to protecting the public finances by pursuing an alternative approach that raises no less revenue than existing plans, potentially by reducing the annual allowance. We will therefore engage employers, pension schemes, experts and other interested parties to determine the design of an alternative scheme. To keep our options open, clause 5 provides the power to repeal the regime that was legislated for in the Finance Act 2010.

Secondly, our Budget stands for fairness. This is a Budget that protects the most vulnerable, especially children in poverty and pensioners, while ensuring that those with the broadest shoulders take the greatest share of the burden. As my right hon. Friend the Chancellor said in his Budget statement, it is a progressive Budget.

Derek Twigg *rose—*

Danny Alexander: I hope that the hon. Gentleman will admit that fact.

Derek Twigg: As regards fairness, is it fair to my constituents and to the construction industry that the Chief Secretary has already stopped £168 million of expenditure on Building Schools for the Future projects and postponed the Mersey Gateway project? Total expenditure on those projects would have been £500 million. How does that help the construction industry?

Danny Alexander: I think it was irresponsible to make commitments to those sorts of projects, which could not be funded on the basis of the previous Government's plans for halving capital spending over the next few years while building into their plans ever further, unsustainable commitments.

Derek Twigg *rose—*

Danny Alexander: I will press on, if I may.

As my right hon. Friend the Chancellor said, this is a progressive Budget.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Will the Minister give way?

Danny Alexander: I am going to make some progress, but I will give way to the hon. Gentleman in a moment.

The Budget includes progressive measures such as increasing the rate of capital gains tax by 10 percentage points for higher rate taxpayers while keeping it the same for basic rate taxpayers. Clause 2 increases the rate of capital gains tax to 28% for higher rate income tax payers, but basic rate taxpayers continue to pay an 18% rate. The entrepreneurs' relief lifetime limit will be extended from the first £2 million to the first £5 million. That implements the commitment in the coalition agreement to provide generous exemptions for entrepreneurial businesses.

Ian Lucas *rose—*

Derek Twigg: Will the right hon. Gentleman give way?

Danny Alexander: I am going to finish this section, and then I will give way to both hon. Gentlemen.

These changes—

Derek Twigg: On a point of order, Mr Deputy Speaker. The Chief Secretary hinted a few moments ago that the money was not available for Building Schools for the Future projects in my constituency, yet the shadow Education Secretary has had a letter from the permanent secretary at the Department for Education saying that the money was available. Also, I know for a fact that the money was there for the Mersey Gateway project, yet the Chief Secretary said it was not. Can we have some consistency in the accuracy of answers?

Mr Deputy Speaker (Mr Lindsay Hoyle): That is not a point of order. If the hon. Gentleman wants to intervene, it is up to the Minister to give way if he wishes.

Danny Alexander: I have given way a great deal, and I now give way to the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards).

Jonathan Edwards: On geographical fairness, does the right hon. Gentleman agree with the recommendations of the final Holtham report, published today, which

calls for an immediate Barnett floor to protect Wales from further convergence, the implementation of transition mechanisms towards a needs-based formula, and a place at the table for the Welsh Government in discussions on fiscal autonomy for Scotland?

Danny Alexander: I am grateful for that intervention. I have not yet had a chance to read the second Holtham report, which is published today. However, in the course of a meeting with the Welsh Finance Minister, I undertook to meet Mr Holtham once he had published his second report, and I look forward to doing so and having a chance to discuss it directly with him. At this stage, I will not make any commitments of the sort the hon. Gentleman wants, except to note that on the path of public finances as they are at the moment, further convergence is not forecast over the next few years.

The changes to capital gains tax help to pay for further progressive measures such as our increase in the income tax personal allowance, which takes almost 1 million of the lowest-earning income tax payers out of income tax altogether. It also increases the incentive for people on low incomes to get a job. That is fairness.

Ian Lucas: Will the right hon. Gentleman tell me how many standard rate taxpayers paid capital gains tax in the past year?

Danny Alexander: Approximately half the people who paid capital gains tax in the past year were basic rate taxpayers—

Ian Lucas: How many?

Danny Alexander: I do not have the figure to hand, but I will happily let the hon. Gentleman know at a future date or write to him with the precise figures he is looking for.

The measures that we are taking, rightly, close the avoidance issue that arose under the system put in place by the previous Government, whereby someone who was taking a substantial bonus, for example, in capital gains could pay less tax than the person who cleaned their office. *[Interruption.]* I am being asked if that was fair. I certainly do not think it was fair—it was highly unfair. That is why we have chosen to try to reduce that avoidance risk. The hon. Member for Wrexham (Ian Lucas) will know that the yield from the measures that we have taken comes in large measure from income tax, which reflects the fact that that sort of avoidance was going on.

Yvette Cooper I thank the Chief Secretary for his generosity in giving way. I will give him one more chance to answer this important question: has the Treasury done any analysis of the direct impact of the tax and benefit measures on women, separately from men? Does he know?

Danny Alexander: I am not sure that that analysis was carried out under the previous Government. We are the first Government to have published analysis of the impact across the income distribution, and we have conducted specific analysis of the impact on child poverty. It is notable that the House of Commons analysis assumes that women will be the only people affected by changes in benefits that are targeted on families. It does not make any allowance for the way incomes may be shared within the household, and as a result it may well exaggerate the impact of Budget measures on women's incomes.

The Budget includes a number of measures to ensure fairness for pensioners. For example, it locks in an annual increase in the state pension in line with earnings, prices or a 2.5% increase, whichever is the highest—the so-called triple lock—to the benefit of 11 million pensioners. It also enables individuals to make more flexible use of their pension savings. The Government intend to end the existing rules that create an effective obligation to purchase an annuity by age 75 from April 2011. Clause 6 provides interim measures to raise the age at which a person is required to purchase an annuity, or otherwise secure a pension income, from 75 to 77. That is to protect those who might otherwise be forced to annuitise before the new rules that we are seeking to introduce come into place. We will consult interested parties on the detail of that change later this month.

Stewart Hosie: I welcome the age increase to 77 to allow flexibility, but a constituency query regarding that matter has emerged in the past 48 hours. If someone has already reached 75 and their annuity was going to be so miserable that they chose not to buy it yet, will they be covered by the new rules or will they fall in a hole in the middle in which, if there is anything left in their pension pot in the future, it will be subject to inheritance tax?

Danny Alexander: If the matter that the hon. Gentleman mentions is a constituency case, I suggest that he write to my hon. Friend the Financial Secretary, who will be able to address the matter in detail.

Mr Love: Will the right hon. Gentleman give way?

Danny Alexander: I will, on grounds of fairness.

Mr Love: I thank the right hon. Gentleman. With regard to the triple lock, does he accept that under the rules setting out an increase of 2.5% or RPI, pensioners will lose out for the first two years? They will actually have a cut rather than an increase.

Danny Alexander: No, I do not accept that. In fact, the increase next year will be protected. According to the forecasts for average earnings, the increase in the following year, 2012-13, would have been 2.4%, so our floor of 2.5% will ensure that the increase in the second year is higher than that forecast by the previous Government.

Mr Love: Will the right hon. Gentleman give way?

Danny Alexander: Once more, then I will press on.

Mr Love: May I urge the right hon. Gentleman to look at the figures? I understand that under RPI, in both years the increase would be 3.1%. Are pensioners not going to lose out?

Danny Alexander: I have looked at the figures, and I stand by my previous answer.

Mr Iain Wright (Hartlepool) (Lab): Will the Chief Secretary give way?

Danny Alexander: No, I am going to make some progress. I have given way a great deal and an awful lot of questions have been asked, and no apology has been heard from any Opposition Member for the dreadful mess they left the economy in.

Fairness in the tax system is also about ensuring that everyone pays their fair share of taxes due. Too many individuals and firms in Britain today exploit the tax system through tax avoidance, a practice that ultimately means the rest of us have to pay more tax. The Bill puts in place measures to protect about £200 million of revenues per annum from tax avoidance. Clause 8 sets out an anti-avoidance measure to prevent matched income and expenses from being derecognised in a company's accounts. That will ensure that income from financial instruments such as loans and derivatives can no longer be excluded from the accounts and go untaxed.

Clause 9 sets out a further anti-avoidance rule, building on section 47 of the Finance Act 2010 to prevent life insurance companies from avoiding tax on previously unrecognised profits. It will do so by ensuring that section 47 will be effective in cases in which life insurance business is transferred to another company. We will take further measures in future to tackle avoidance. In particular, a consultation on a general anti-avoidance rule was announced in the Budget.

Kate Green: How will the welcome measures to reduce tax avoidance be squared with job cuts in HM Revenue and Customs?

Danny Alexander: On the plans for HM Revenue and Customs, I am confident that the anti-avoidance measures are deliverable and can be expected to yield the amount that I described.

Kelvin Hopkins Will the Chief Secretary give way?

Danny Alexander: No, I have given way nearly 30 times already.

Thirdly, the emergency Budget stands for freedom because it frees businesses to go for growth. A genuine and long-lasting economic recovery must have its foundations in the private sector. That is where jobs will come from, and we will do everything we can to support their creation. That is why the Budget sets out a plan to open Britain for business once more.

We will open Britain for business by creating a more competitive system of corporation tax, reducing the rate from 28% today to just 24% over four years. It will give us the lowest rate of corporation tax of any major western economy, and one of the most competitive rates in the G20.

Stephen Timms (East Ham) (Lab): Why does the Bill legislate for only one of those changes, not all four?

Danny Alexander: It is good to see the right hon. Gentleman in his place; I welcome him back to the House after the experience that he had, for which Members of all parties feel enormous sympathy.

As I understand it, the practice in Finance Bills is to legislate one at a time for the changes that are needed in the following years. The Chancellor's commitment in the Budget speech was for year-on-year reductions, and we will fulfil it.

Stephen Timms: I thank the Chief Secretary for his kind remarks.

I think the precedent was set in 1984, when the now Lord Lawson reduced corporation tax over a series of years, and the Finance Act 1984 legislated for them all. Why is that not being done in this Bill?

Danny Alexander: I am grateful for the further intervention and it is interesting to hear the right hon. Gentleman cite Lord Lawson. I am not sure that the Labour party cited that example in its Budgets. There are various technical reasons, which have just been discussed, and which my hon. Friend the Exchequer Secretary will explain in his closing speech. The basic point is that our method is more business-friendly.

As a first step, clause 1 reduces the main rate of corporation tax from 28% to 27% from 1 April 2011. Consequently, the corporation tax of around 47,000 companies will fall. The Budget also supports Britain's small businesses by cutting the small companies rate of corporation tax from April 2011, reversing the previous Government's plans to increase the small companies rate. That will benefit some 850,000 companies. The Budget takes action to stop the previous Government's job tax by increasing the threshold for employers' national insurance contributions, thereby lifting 650,000 employees out of that tax. Of course, a separate Bill will deal with that.

Taken together, those measures offer a stable and consistent platform for a private sector recovery.

Clive Efford *rose—*

Helen Goodman (Bishop Auckland) (Lab) *rose—*

Danny Alexander: I will not give way.

Clause 7 amends the tax rules for the expenses incurred by Members of Parliament, following the creation of the Independent Parliamentary Standards Authority. I know that that is of interest to many Members. The clause will broadly have the effect of maintaining the tax system and treatment that applied to similar expenses paid under the previous regime.

Mr Kevan Jones *rose—*

Danny Alexander: I will not give way on that. The hon. Gentleman can make his points in the debate.

The emergency Budget takes decisive action to tackle the deficit that we inherited and to confront the greatest economic risk to our country. It is tough, but it is fair. We have set the course for a balanced budget and falling national debt by the end of the Parliament. We have to pay the bills of past irresponsibility, but in doing that, we have ensured that those with the broadest shoulders carry the greatest share of the burden.

The Budget and the Bill represent a break with past traditions. They demonstrate a genuine shift in approach from that of the previous Labour Government. Our decisions are in the best interests of the economic cycle; those of the previous Government were dominated by

the news cycle. Our actions are based on hard facts and the real world; theirs were based on wishful thinking and, in some cases, complete denial of the economic reality. We have been guided by independent forecast, not political whim. We are acting responsibly; they remain in the mindset of profligacy, which led them to make spending promises that they knew could not be kept while they were in government.

The Opposition now say that they will oppose many of our measures, but without giving any indication whatever of what they would do instead—not a single suggestion. They are in denial; the Government are facing up to reality. The provisions in the Bill are fair. They will help to put our public finances on a solid footing and provide a strong platform for economic recovery. I commend the Bill to the House.

Several hon. Members *rose—*

Mr Deputy Speaker: Order. I should inform the House that Mr Speaker has not selected the amendment.

5.15 pm

Mr Liam Byrne (Birmingham, Hodge Hill) (Lab): May I begin by putting on record the Opposition's thanks to Sir Alan Budd for his excellent work in the short months that he has served the Government? May I also congratulate the Chief Secretary, who is rapidly becoming one of the Chancellor's longest-serving advisers? After his performance this afternoon, I think we can see why that is. He is pursuing what is now a noble Liberal Democrat tradition of fronting up some of the Government's nastiest and most regressive policies in the House. His speech was a Liberal Democrat defence of an emergency Budget—an emergency so great that the Chancellor could not be bothered to join us this afternoon to listen to the House's deliberations.

It is fair to say that since we met last week to debate the Budget, the economic horizon has darkened. British families and businesses fought so hard in the past year and a half for this country's recovery, but the Bill puts all that at risk. We can see from the Bill that the Chancellor would like us to believe that size is not everything—although it is very thin, it is none the less very dangerous.

We all enjoyed the Chief Secretary's summary of business opinion, but Opposition Members thought it odd that he missed some of the news that has appeared since the Chancellor gave his Budget speech. The truth is that, as we warned last week, the dangers in the global economy have become not less visible—they have not ebbed away—but, if anything, become more visible and more dangerous. This week, for example, the news from our trading partners and from the United States, which is our single biggest export market, has not been good. Factory orders in May dropped after eight consecutive months of improvement, and confidence surveys last week showed the biggest falls for some time—far bigger than expected.

Last week, we heard that the number of Americans in work has fallen by almost the largest number since 1995, and new figures for the eurozone show unemployment stuck at more than 10%. The news from new markets is likewise not great. China's stock exchange hit a 15-month low yesterday, and confidence surveys have reported the worst outlook for a year and a half. Therefore, we cannot blame British businesses, investors and exporters for being somewhat depressed. They know that the odds of success in the gamble on which the Chancellor has embarked are slim, and they know very clearly who will pay the price for his failure.

Mr John Redwood (Wokingham) (Con): The previous Labour Government said that they would halve the deficit in four years. What spending cuts and tax increases would they have introduced if they do not like ours?

Mr Byrne: The right hon. Gentleman has today put out a number of very constructive suggestions—for example, urging people hit by budget cuts to wear more clothes, to turn down the thermostat and to eat more vegetables—[Hon. Members: "Withdraw!"] I am merely quoting the *Daily Mail*, which is a source I trust—it is, of course, beyond reproach.

Mr Deputy Speaker: Order. Obviously the right hon. Member for Birmingham, Hodge Hill (Mr Byrne) used the *Daily Mail*. I am sure that it was not meant with intent, and that we can be a little more careful in the way that we proceed.

Mr Byrne: I will learn never to trust a word I read in the *Daily Mail* ever again—

Mr Redwood: The *Daily Mail* withdrew the article from its website because it was untrue.

Mr Byrne: Well, that rather proves my point—*[Interruption.]*

Mr Deputy Speaker: Order. The right hon. Gentleman should withdraw that comment if it has been withdrawn from the website.

Mr Byrne: I am happy to withdraw comments published in the *Daily Mail*.

The point that I was about to make was that the business community, having had a chance to reflect on the Budget, has come to some conclusions, and I was surprised not to hear about them in the Chief Secretary's remarks. A fortnight ago, the Chancellor told us that the Budget was

"a balanced package that will send the signal that Britain is open for business."—[*Official Report*, 22 June 2010; Vol. 512, c. 176.]

In the weeks since, it is fair to say that business has not been hanging out the bunting. The stock market has now recorded its worst quarterly fall for eight years, as it fell to its lowest point for 10 months. Goldman Sachs has warned that tighter fiscal policy now

"would make it hard to deliver improving growth for all, or possibly any"

country. The chief economist of the British Chambers of Commerce has said that the scale and severity of the Budget

"inevitably increases the danger of an economic setback".

The Chartered Institute for Purchasing and Supply has said that its managers have

"voiced grave concerns that budget cuts and VAT will tip the scales and amplify the likelihood of the UK slipping back into recession".

[Mr Byrne]

The confidence of Britain's finance directors has fallen to a 12-month low—just one in four is optimistic, and two thirds say that tighter fiscal policy will hurt their business. Yesterday, the confidence of Britain's supply chain had its largest monthly fall since 1997. It is for those reasons that a wise man once said that

"the next government has to recognise the fragility of the economy and not take action which would precipitate a double dip recession leading to more unemployment and even bigger budget deficits."

That was, of course, the Business Secretary in April—once a prophet and now a lost cause.

Mr Kevan Jones: Does my right hon. Friend agree that one of the important sectors in the economy is the service sector? Has he seen the Markit/CIPS purchasing manager index this month, which has recorded its largest drop in confidence in the last 14 years?

Mr Byrne: That news was somehow absent from the Chief Secretary's remarks. He and the Chancellor may now think that everything is fine. I know whose verdict I would rely on, and it is not the Chancellor's.

I do not want to depress the House unduly and I have a little bit of good news—

Barry Gardiner: Will my right hon. Friend confirm that the real point is that if we should slip back into a double-dip recession, the coalition's efforts will be null and void, because they will not have been able to address the deficit as a proportion of GDP?

Mr Byrne: That is precisely right and I will have more to say on that in a moment.

I promised a ray of good news among all the bad news and depressed expectations from the business community. A command paper was sneaked out last week. It had barely a press notice—it ran to a grand total of six lines—and there was no written ministerial statement with it. What could justify such secrecy? All is revealed on page 52 of the public expenditure survey, published last week, wherein we discover that Departments under Labour's management underspent their budgets last year by £5 billion. Anyone would think that the Government wanted to keep that news secret. In a knee-jerk response yesterday, they decided to cover it up by announcing another £1.5 billion of spending cuts instead.

Derek Twigg: In Halton, £168 million of the Building Schools for the Future project was cut yesterday. The Mersey gateway has been postponed, and if it is cut it will take the total loss of investment—in that one area—to £0.5 billion. In an area like Merseyside and Cheshire, which especially needs that investment, that will be a massive blow to the construction industry. Does not it also underline the fact that public expenditure provides private sector jobs?

Mr Byrne: One of the great flaws in the Budget is that the Government are relying on a bounce-back in private investment, for which there is barely a precedent, and nor is there any evidence from the business community that it might happen.

Make no bones about it, since the Chancellor sat down a fortnight ago, the gloom has grown. However, the Finance Bill does not adjust the Government's strategy. All we have heard from the Chief Secretary this afternoon is a very clear economic credo: where there is worry, let us spread fear, and where there is risk, let us bring danger. Whereas the Labour Government planned to halve the deficit in four years—a plan that the Chancellor's own independent advisers said we were on track to deliver, and which the G20 said met its timetable—this Chancellor has added nearly £40 billion in new tax rises and spending cuts. He has locked us on a course to slash away come what may, and, in a world full of risk, he is now preaching to others to do the same.

Mr Jim Cunningham (Coventry South) (Lab): Do the recent figures for the motor car industry not show that the previous Government were on the right course for an economic recovery, and does my right hon. Friend not agree that a £360 million cut in Coventry's schools programme will have a devastating effect on the schools and construction trade there? I am sure he knows that the construction trade always leads economic recovery.

Mr Byrne: My hon. Friend is right. One reason the British supply chain is now so worried about the Government's intentions is that it has seen these knee-jerk reactions, such as yesterday's decision, of which the Chief Secretary was so proud he did not dare come to the House to say a word about it.

I want to make a point that follows on from what my hon. Friends have said. Rather than balancing spending over the economic cycle, we now have, in the Budget, a plan to eliminate in just five years the structural deficit. However, the Finance Bill ignores the question of what happens if growth is weaker than expected. It is worth for a moment the House exploring the economic consequences of this Chancellor's proposals. If growth fails, the structural deficit as a percentage of our economy goes up, yet the timetable for its elimination remains unchanged, so the Chancellor's only course of action is to cut deeper and deeper. If growth falters or the economy shrinks, the Chancellor cannot stimulate the economy, but can only respond with cuts. It is not a plan to manage the economic cycle; it is a plan for an economic death spiral. Like some kind of self-flagellating penitent who believes borrowing is so morally wrong, he responds to any new urges with another bout of whipping. He might feel it gets him to heaven a little faster, but I am afraid it is no way to run an economy.

Charlie Elphicke: I enjoy the right hon. Gentleman's thirst for talking down the economy, but how many independent economic forecasters are predicting the double-dip recession that the Labour party seems to constantly hope and pray for?

Mr Byrne: I note that the hon. Gentleman was so eager to participate in this debate that he missed the beginning of it. The words I used were not my words, but the words from a wide section of the British business community. [Hon. Members: "Who?"] Well, Goldman Sachs, the Chartered Institute of Purchasing and Supply, and the judgment of the stock market. This is not a

perspective held by a narrow corner of the business community. The judgment on this Budget is widely shared across this country.

Ben Gummer: Will the right hon. Gentleman confirm whether it was Goldman Sachs or the chief economist at Goldman Sachs who made those comments? It is an important distinction.

Mr Byrne: Absolutely. Jim O'Neill is a very respected economist, he is chief economist at Goldman Sachs, and his opinion was echoed by the chief economist at the British Chambers of Commerce. So this is not a narrow perspective from any one particular corner of the business community. This view is widely shared.

Phil Wilson (Sedgefield) (Lab): We have to accept that the Prime Minister has kept one promise. He said that the cuts would affect the north-east of England the most, and that has been proved to be true. The Government have cancelled a new hospital, abolished One NorthEast and stopped nearly 100 Building Schools for the Future projects, which would have created many construction jobs in the private sector. Is it not a shame that the Prime Minister did not keep the other promise, which was that cuts would not affect the front line?

Mr Byrne: My hon. Friend is absolutely right. Like so many words that we heard during the election from those now in government, those ones turned out to be rather empty.

Perhaps we would not be quite so worried about what we have heard from the Chief Secretary this afternoon if we did not know that the risk of failure for this Budget was so great. The Office for Budget Responsibility, which is supposed to know, has said that there is just a 40% chance of the Chancellor hitting his growth forecast for next year, yet the VAT increase in the Bill will tax consumption so hard that we will be forced to rely on a history-making burst of exports and business investment. Last week we heard that just once since 1966 have we had the kind of rise in investment and exports on which the Chancellor will be banking in each of the next three years. The House would therefore be right to ask what measures exist in the Finance Bill to help. On close inspection, there appears to be no help at all for exporters, yet the Chancellor needs Britain's exporters to grow their trade abroad by £100 billion for his plan to come true. That is the equivalent of our trade with America rising threefold, our trade with China rising by 20 times or our trade with India rising by 40 times. It is fair to say that that is not a bet that any of us would take.

Kevin Brennan (Cardiff West) (Lab): Was my right hon. Friend surprised when he saw the Deputy Prime Minister in Germany—he is obviously fluent in German, but not in economics—persuading the Germans to cut their expenditure, when Germany is exactly the sort of market that we rely on for export growth?

Mr Byrne: Precisely. We need the German Government to contribute to growth right across the European area. One would have thought that the Deputy Prime Minister might have a word to say about encouraging the German Government to do more to help British exporters, but there we are—not a word about that from him.

Stewart Hosie: Although the right hon. Gentleman's excoriating attack on the coalition Government is pretty accurate so far, will he confirm that we had a balance of trade deficit in goods last year of some £82 billion, that Labour lost 1 million manufacturing jobs before the recession and that the impact on GDP growth was to suppress it every year since 2000? Just for the sake of accuracy, will he confirm that those figures are right?

Mr Byrne: I have not brought those figures with me to the Chamber, but the hon. Gentleman will know that exports from this country have grown strongly over past years. That is precisely why, as we came through the crash, we said that we needed to rebalance our economy, which is why we fought so hard for investment in companies such as Sheffield Forgemasters and why we said that we needed new investment in manufacturing—all investment that has now been cut back.

Stewart Hosie: Will the right hon. Gentleman give way?

Mr Byrne: No, I am going to make another important point, on which the hon. Gentleman might want to comment. The question of business investment is vital—it relates to the argument at the heart of the Budget—and I hope that we will have a good debate on it this afternoon. Business investment is the subject of clause 1, which offers, I am afraid to say, no salvation through investment allowances, which drive up investment and which manufacturers say make the world of difference. This is what the senior economist of the Engineering Employers Federation had to say about investment allowances:

> "For smaller companies...there will be cashflow consequences ...that will hurt their ability to reinvest in their own competitiveness."

That is because the Government have withdrawn such allowances.

What, then, of corporation tax? We were promised in the Budget a four-year plan to bring down the rate of corporation tax to 24%, but clause 1 offers us just a one-year plan. We do not know whether that is a wheeze to avoid an unhelpful valuation of deferred tax assets—the Chief Secretary to the Treasury was silent on that point—but is it not more likely that the Treasury is simply hedging its bets? The Government promised us certainty on corporation tax, and all we have got is more risk. The truth is that business is not going to bet on a one-year deal when this country's recovery demands a longer-term planning horizon. The Chancellor might be a gambler, but Britain's business community is not.

Stephen Hammond (Wimbledon) (Con): The business community are not gamblers. In this Budget, they will see encouragement for the bedrock of our economy—namely, small and medium-sized enterprises. Measures in the Budget such as the small profits rate of taxation will help 800,000 small businesses across London and the south-east, and the small business rate relief will help 48% of the businesses in the region. Is that not the kind of investment that will encourage exports?

Mr Byrne: It would be, but it appears to be absent from the Bill.

The economic gamble that the Chancellor has taken in the Budget is quite clear to the business community and, I think, to the House. There is also the question of

[Mr Byrne]

who pays. The Chancellor is fond of taking the approach that we are all in this together. One writer called that the equivalent of a chorus line from "High School Musical". However, the Finance Bill disabuses us of any notion that that claim might actually be true. It is now quite clear that the price of this Budget will be paid by people's jobs, and that the greatest price will be paid by the poorest in this country.

Mr MacNeil: For the past five years, the poorest in my constituency were paying the highest level of tax per litre of fuel in the UK. Is the shadow Chief Secretary in any way embarrassed or ashamed that a Labour Government let that happen? Or does he now repent and support a rural fuel derogation?

Mr Byrne: I look forward to hearing the hon. Gentleman's contribution to the debate a little later. It was not quite clear whether he was talking about marginal deduction rates or other impacts of the tax system but, like me, he will have noticed table A3 on page 69 of the Red Book, which shows that the marginal deduction rates for people on a 90% deduction rate, for example, have not gone down as a consequence of the Budget; they have gone up.

Stephen Hammond: We know from the note that the right hon. Gentleman left for the Chief Secretary that it clearly would not have been he who paid. Will he tell the House exactly where the £50 billion of cuts would have come from under a Labour Government, and how the deficit would have been reduced? Who would have paid in those circumstances?

Mr Byrne: Of course—I shall talk about that at length in a moment.

Simon Hughes (Bermondsey and Old Southwark) (LD): Does the right hon. Gentleman accept that his attacks might just begin to be credible if Labour's record were not so dreadful? Inequality increased, the link between earnings and pensions was never delivered, child poverty was not reduced over the whole period of the Labour Government, fuel poverty increased and poor people on low incomes were not taken out of tax. Where is the credibility in that? This Budget will clearly deliver a fairer outcome than the one that his Government left us with.

Mr Byrne: I was empathising with the hon. Gentleman until his final sentence. As he will know, over the past 10 to 15 years up to 2006, just four countries out of the entire 20 or 30 members of the OECD succeeded in reversing inequality. They were Turkey, Ireland, Mexico and the United Kingdom. The attack on inequality was always a central mission for the Labour Government. Yes, of course we wanted to go further, but we were proud of our record of lifting 900,000 pensioners and 500,000 children out of poverty, of legislating to restore the earnings link and of introducing innovations such as tax credits. In constituencies like mine—and, I suggest, the hon. Gentleman's—which suffer from a high rate of unemployment, that help is beginning to make a difference. That is why we are so passionate in our objection to the attack on the poorest people in this country contained in this Budget.

Simon Hughes: I respect the right hon. Gentleman for his constituency commitment to dealing with the poor. Over the period of the Labour Government—during which not everything was done wrongly—the greatest failure of all was that inequality was not reduced over the entire 13 years; in fact, it increased. The rich became richer, the very rich became very much richer, and the people at the bottom—pensioners in particular—did not have the protection from a Labour Government that history suggests they could have expected.

Mr Byrne: I look forward to the hon. Gentleman telling us later how the increase in VAT is going to support the argument that he is trying to prosecute. I hope that he will also reflect on the cost of this Budget to jobs. The official figures for job cuts as a result of this Budget are bad enough, but the real figures are even worse. We have already watched the extraordinary spectacle of the Office for Budget Responsibility tell the Chancellor that employment will be 100,000 lower as a result of Budget measures, but then the real figures were published in *The Guardian*—not in this House, but in *The Guardian*—from which we learned that secret Treasury papers say that the Budget will cost 1.3 million jobs over the next five years. When the Chancellor stood at that Dispatch Box a couple of weeks ago, he told us that he would not hide things in the "small print" and that he would give it to us "straight"; he was so straight and so open that he kept the Treasury advice out of the Budget altogether. Yet even that picture might not reflect the entirety of the Budget's impact.

Toby Perkins (Chesterfield) (Lab): Does my right hon. Friend agree that the Liberal Democrats' comments would have more credibility if they had not spent the six or eight weeks before the general election arguing very accurately and articulately against the very Budget they have just helped to deliver?

Mr Byrne: My hon. Friend is absolutely right. Some Front-Bench Labour Members believe in redemption, and we have not given up on the hon. Member for Bermondsey and Old Southwark (Simon Hughes). That is why we are looking forward so much to hearing his contribution later this evening. *[Interruption.]* I hope he is not going to dispel the image I have of his virtue and integrity.

Simon Hughes: We all believe in redemption.

Mr Deputy Speaker: Order. I hope that we can stick to the Bill. We are getting carried off in many directions, and I am sure that hon. Members will not want to do that.

Simon Hughes: May I say to the right hon. Gentleman and the hon. Member for Chesterfield (Toby Perkins) that the four major proposals on tax, finance and equality with which we went into the election have been delivered in the Budget? The only one that was not delivered was value added tax. The right hon. Gentleman knows that there is concern about its increase, but he

has heard me say that I believe that, in the event, rather than making further spending cuts, it was the least worst option.

Mr Byrne: I will cling on to my image of the hon. Gentleman's integrity and await his contribution a little later. I remain convinced that, for him, redemption is still possible.

I was about to say in response to my hon. Friend the Member for Chesterfield (Toby Perkins) that the reality is that the impact on jobs might be even worse than we saw in the Red Book, or even worse than we read about in *The Guardian*, because the Chartered Institute of Personnel and Development tells us that it forecasts that unemployment could continue to rise up towards 3 million.

This Finance Bill hits growth so hard—this is a point that I hope the hon. Member for Bermondsey and Old Southwark in particular will reflect on—that, buried in the back of the Red Book, we learn that the Chancellor has had to raise £9 billion of extra taxes to pay for the lost growth. That is not cutting public debt, but adding to it—in pounds and pence and in the unquantifiable misery of wasted human lives. It is, I am afraid, a philosophy that is all too familiar. It is a distant echo of 1992, when a Tory Chancellor told us that unemployment was "a price worth paying". Back in 1989, another Tory Chancellor, the now noble Lord Major—

Simon Hughes: Sir John Major.

Mr Byrne: Quite right. Sir John Major told us:

"If it isn't hurting, it isn't working".

This Bill, and this Budget, will hurt all right—hurt the recovery; hurt families; hurt pensioners; and it will not work, as it will put people out of work.

Charlie Elphicke: Perhaps I am just confused, but I am looking at the OBR table C.2 and it seems that ILO unemployment and the claimant count will be falling over the course of this Parliament. Will the right hon. Gentleman confirm if I have misread the table?

Mr Byrne: In preparation for this debate, the hon. Gentleman will have compared those employment forecasts with those in the March Budget and will have noticed, like the rest of the world, that they are now 100,000 lower.

Mr Kevan Jones: Does my right hon. Friend agree that the Chartered Institute of Personnel and Development not only made predictions on unemployment, but also said that the Government's targets for job creation were not achievable? Its chief economist, John Philpott said:

"There is not a hope in hell's chance of this happening."

Mr Byrne: My hon. Friend is absolutely right. Very few people in the country believe the Budget's forecasts for employment growth, which is not surprising given how hard the Budget is hitting growth.

I want to move on from the economics of the Bill, and the possibility that it may work, to a wider question that I know we will want to debate this afternoon.

Danny Alexander *rose—*

Mr Byrne: I refer to the question of fairness, about which the Chief Secretary will perhaps say a word.

Danny Alexander: The right hon. Gentleman began, quite rightly, by paying tribute to the Office for Budget Responsibility and the work that it has done. Does he accept that the OBR forecasts make it clear that over the period of the Budget, growth will rise and unemployment will fall? That confirms—if we are trading quotes—the view of the secretary-general of the OECD, who has said that the Budget

"provides the necessary degree of fiscal consolidation over the coming years to restore public finances to a sustainable path, while... supporting the recovery."

That is what the Budget does, and the right hon. Gentleman should be welcoming it.

Mr Byrne: The Chief Secretary is a politician who is paid to go to work to make his own judgments in his and the country's best interests. He will have noted reference to the growth of business investment and exports in the OBR's report and its projections for the future.

Danny Alexander *rose—*

Mr Byrne: In a moment. He will know, too, that in only one year since 1966—which is when the Library started to compile figures for business investment—

Danny Alexander *rose—*

Mr Byrne: In a moment. In only one year, 2005, did business investment grow by 1.7%.

Danny Alexander *rose—*

Mr Byrne: I ask the Chief Secretary to be patient for a moment. The last year in which exports grew as a percentage of our economy in anything like the way that the OBR projects for the next few years was 1974. The Chief Secretary is relying on a unique combination of the business investment that we saw in 2005 and the exports that we saw in 1974. He is assuming that they will come together in perfect harmony in each of the next three years. I must say to the Chief Secretary, very gently, that that is a bit of a gamble for him to take.

Danny Alexander: Does the right hon. Gentleman accept that it is the independent Office for Budget Responsibility—which I think he welcomes—that forecasts that growth will rise over the current Parliament and that unemployment will fall? Does he accept that, yes or no?

Mr Byrne: It is not a great triumph for unemployment to fall as an economy returns to growth. The point that I was making is that employment in this country is lower as a result of the Chief Secretary's Budget, that growth is lower as a result of his Budget, and that the Budget hits the economy so hard that he must raise another £9 billion of taxes, although the Chancellor refused to admit it at the Dispatch Box.

I now wish to turn to a question to which I hope we will devote quite some time today: the wider question of why this Finance Bill is so unfair. We now have the

[Mr Byrne]

judgment of the Institute for Fiscal Studies, which tells us that the Budget is so regressive that its only redeeming features are Labour policies. Age Concern tells us—clearly, starkly, urgently—that it will put older people's lives at risk. The Child Poverty Action Group tells us that it will drive poorer parents into the arms of loan sharks. The House of Commons Library tells us that nearly three quarters of the £8 billion tax and benefits bill will be paid by our country's women—and that is before we get to VAT.

Clause 3 is the clause that deals with VAT, and I think it fair to say that it is the clause without a mandate. I have come to learn that, after nearly 30 years in the House, the hon. Member for Bermondsey and Old Southwark did not get where he is today without knowing what makes his party tick. I believe that when he said, a week before the Budget,

"I hope we don't have a VAT increase because it is the most regressive form of tax",

he spoke for the majority of his party's voters and his party's members. Before too long, those words will come back to haunt the Chief Secretary and the rest of the occupants of the Treasury Bench.

Back on 7 April, the Deputy Prime Minister warned us about hikes in VAT. He said:

"let's remember, it is a regressive tax".

He was right: it is a regressive tax, and we now know that he is a regressive politician for supporting it.

I think that it is fair to say—I feel that I can say this among friends—that I know a thing or two about writing something and regretting it later, but the Liberal Democrats did not just write a silly note. They unveiled a whacking great poster on a lorry saying, "Tory VAT bombshell". Little did we know that they would be the ones not only to prime it, but to set it off.

Mr Redwood: Will the right hon. Gentleman give way?

Mr Byrne: I will in a moment.

If Members go to the Deputy Prime Minister's website—for those who do not have the address, let me be helpful, it is nickclegg.co.uk; it is not a site that I visit quite as much as I used to—they will see that that famous poster saying, "Tory VAT bombshell" is still on the website, available to download. The Liberal Democrats cannot kick the habit of saying one thing and doing another.

Mrs Anne McGuire (Stirling) (Lab): Does my right hon. Friend share the astonishment of the 87% of the electorate in the Chief Secretary's constituency who did not vote Tory at the last election but see him fronting up a VAT rise to 20%?

Mr Byrne: Yes, and the electorate will hold the Chief Secretary to account at the next election.

Mr Redwood: Can the right hon. Gentleman explain why putting VAT up by 2.5% before the recession was scarcely over, as the Labour party did in government, was a good idea and did not destabilise the recovery, but putting it up another 2.5% to pay all the previous Government's bills, which Labour still will not tell us how it would pay for, is a bad idea?

Mr Byrne: Let me come to that point in a moment because—*[Interruption.]* I will answer the right hon. Gentleman's question after touching for a moment on some of the questions that we will raise in this debate and in Committee next week. We will want to press the Government on their clause without a mandate. We will want to know what studies have been conducted, as will many Back-Bench Members in the coalition party, on the impact of the new VAT on Britain's poorest families. We will want to know the impact on pensioners, children and child poverty. We will want to know whether all zero-rated goods will remain zero-rated for the course of the Parliament. We will want to know whether all exempt goods and services will remain exempt for the course of the Parliament. We will want to know how much the Chancellor has short-changed our pensioners by uprating pensions this September and then legislating for higher prices in January. We will want to know his estimate of the growth in black market trading by increasing the rewards for unregistered traders. We will press the Government on those questions during discussion of clause 3.

We will also want to know the answers to questions on other clauses. Why does clause 1 make corporation tax less certain when we were promised clarity? Why is the measure silent on the regime for North sea oil? Why does clause 2 complicate the tax system when we were promised simplicity? In respect of clause 4, what assessment has been made of the impact of insurance costs for low-income families? Will the reform of pension tax relief bring in as much as Labour budgeted for? Will the plan be as fair?

The great tragedy of the Budget and the Bill is that there is an alternative, so let me deal directly with some of the questions raised by Government Members. In March, my right hon. Friend the shadow Chancellor set out the fastest and clearest deficit reduction plan of any country in the G7.

Lorely Burt (Solihull) (LD): There wasn't any detail.

Mr Byrne: I hear what the hon. Lady says, but she has of course read chapter 6 of the Budget of March 2010 and, like me, she will remember that there was £3.5 million in savings by holding down public sector pay; there was £1 billion in savings through the reform of public sector pensions; there was £5 billion in savings through cuts to lower-priority programmes; and there was £11 billion in savings by revolutionising Whitehall. There was also the promise of a benefits bill that would have been £14 billion lower through falling unemployment, which was only possible as a consequence of growth. She will also remember the precision with which we set out £19 billion-worth of tax increases, which unlike this Bill, did not hit the poorest in her constituency or mine.

We know that Governments have to govern, so our opposition to the Bill will be careful, but Labour Members will stand up for jobs and for fairness. That is why we will vote against the Second Reading of the Bill.

5.54 pm

Lorely Burt (Solihull) (LD): The Bill is short, and I will keep my remarks short in keeping with the Bill's size. This is a coalition Bill, just as the Budget was a coalition Budget. It incorporates Liberal Democrat policies such as our policies on capital gains tax, raising the

earnings threshold and the restoration of the earnings link. It also incorporates elements of Conservative policy, which is right because that is what a coalition does. In some respects it is a bit like Hovis, which calls its mix of white and brown bread "Best of both". That is what we have in the Bill.

Among the Bill's main elements is the capital gains tax increase from 18% to 28%. The Liberal Democrat policy would have taken it further, but we could run into the law of diminishing returns. We need to be not only practical but fair. It is fair because the well-off, who pay less tax than those who clean their offices, will start to pay a lot more tax. That loophole was never closed by the Labour party, and the measure will make a big difference in fairness and in the level at which those well-off people pay tax.

The entrepreneurs relief should be welcomed by hon. Members on both sides of the House.

Mr Kevan Jones: Does the hon. Lady agree with the Deputy Prime Minister, who before the election, on the Radio 4 "Today" programme on 7 April, described VAT as a "regressive tax"?

Lorely Burt: I am grateful to the hon. Gentleman for that intervention. I am dealing with entrepreneurs relief at the moment, but I will be pleased to deal with VAT, which I will speak about quite fully, later. I know that the Labour party has had great fun bashing the Liberal Democrats over VAT, so I look forward to being taken to task on that.

The entrepreneurs relief is the reward that business owners are due. They often put everything into building a business. That should be recognised. We greatly welcome the continuance of the 10% rate and the increase in the lifetime limit for gains from £2 million to £5 million.

On corporation tax, the reduction from 28% to 27% in 2011, the 1% reduction in each of the following three years to 24%, and the small business rate tax cut, contrast greatly with Labour's tax on jobs. It means that we now have the ability to stimulate business, which generates the wealth that we need to pay for the services that we need. We need secure growth for business. Business needs the confidence to invest in that growth.

I come now to VAT. I am sure that the hon. Gentleman—

Mr Jones: Will the hon. Lady answer the question put by my right hon. Friend the Member for Birmingham, Hodge Hill (Mr Byrne), who said that the measure in the Bill is for one year only? How will that give confidence to any business wanting to invest? It will have to take decisions on a one-year basis.

Lorely Burt: I am glad that the hon. Gentleman raised that point, and that I gave way to him. This is a commitment. The four-year commitment is in the statement. It is in the Budget.

Mr Jones: One year.

Lorely Burt: The four-year commitment is in the Budget itself. As the Chief Secretary said, the normal way of doing it is one year at a time. The hon. Gentleman can look forward next year, and the year after that and the year after that, to a further 1% reduction.

Jonathan Edwards: Does the hon. Lady agree that the regionalisation of corporation tax would be a more helpful way to assist the most disadvantaged parts of the United Kingdom?

Lorely Burt: The hon. Gentleman asked me about the regionalisation of corporation tax, but these are UK taxes so it is inappropriate to regionalise. He makes an interesting point that I have not considered before, but I am sure that my hon. Friends will take an interest in the idea if it has merit.

Simon Hughes: My hon. Friend is right. I just wish to say to the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) that, as he knows, my party has been supportive of increasing autonomy and self-government in Scotland and in Wales. That has happened in Scotland and it is on the agenda for Wales, and he knows—*[Interruption.]* It is on the agenda for Wales; it is not agreed and it is not committed, but it is under discussion in relation to Wales. He knows that my party has always been positive towards the idea of allowing greater self-government, both in Scotland and in Wales, but that is different from the regionalisation of UK taxes such as corporation tax.

Mr Kevan Jones: On a point of order, Mr Deputy Speaker. Is it in order that the Liberal Democrats should now have two Front-Bench spokespeople on the Treasury? Is it completely out of order for the hon. Member for Bermondsey and Old Southwark (Simon Hughes) to be rescuing and answering on behalf of his party?

Mr Deputy Speaker (Mr Nigel Evans): If I had seen anything out of order, I would have called hon. Members to order myself.

Lorely Burt: Thank you, Mr Deputy Speaker. The hon. Member for North Durham (Mr Jones) has intervened on me twice, so perhaps he would like to join me on these Benches and make his contribution. I am sure that he will be making his speech later, and I will have the greatest pleasure in intervening on him then.

VAT is to increase to 20% with effect from 4 January 2011. This is another issue on which the Liberal Democrat bashing by the Labour party has been lengthy.

Clive Efford *rose—*

Lorely Burt: Perhaps the hon. Gentleman would allow me to make a little progress first. *[Interruption.]* I am not giving way now, but I promise that I will do so. I might even say something that he likes; one never knows. Like my hon. Friend the Member for Bermondsey and Old Southwark, I do not think that anyone on either the Conservative Benches or the Liberal Democrat Benches is filled with any enthusiasm for increasing VAT. However, I am not going to rehearse all those arguments, because we know that Labour left the finances in a far worse state than we originally anticipated. The structural deficit is £12 billion greater than we were led to believe, so whichever way we look at it, the options are invidious. A VAT increase has therefore had to be the least worst option, as my hon. Friend has said. There are mitigating factors, because the VAT rise will not come into effect until 2011. Therefore there will be a

[Lorely Burt]

short-term boost; consumers who want to spend money, particularly on large items, will be able to do so before that increase comes into effect.

Mrs McGuire: Is the hon. Lady seriously recommending that to mitigate the impact of the VAT increase to 20%, consumers should wander round Currys and all sorts of other places before Christmas buying up all the washing machines, tumble dryers, fridges and all the rest of it, just to salve her conscience?

Lorely Burt: The right hon. Lady answers her own question, although I was just coming on to this subject. When I had lunch with the manager of my local branch of John Lewis last week I asked him what difference the VAT increase would make to purchases at his store. He said, "Well, when it went down it didn't make a whole lot of difference to sales. When it goes up we don't necessarily think it'll make a whole lot of difference, either."

Several hon. Members *rose—*

Lorely Burt: I have given way previously, so I ask hon. Members to allow me to make a little progress. A lot of people want to speak—*[Interruption.]*

Mr Deputy Speaker: Order. The hon. Lady is not giving way.

Lorely Burt: Thank you, Mr Deputy Speaker. The other point that I want to make is that the purchases that represent more disproportionately a part of the income of lower-paid people tend to be zero-rated.

Kate Green: It is clear that this is the story that we are going to hear again and again: we are going to be told that the items that the poorest need to buy are zero-rated, so the VAT rise does not hurt them. How can the hon. Lady say that essentials for families, such as saucepans and clothes for work, are items that the poorest do not have to find the money for? This is a regressive tax.

Lorely Burt: The hon. Lady misunderstands me. I understand that people have to buy all those capital items, and I know that this is going to be regressive in that respect. [HON. MEMBERS: "Oh!"] There is no question or doubt about that. I said to the House a moment ago that nobody likes the idea of having to increase VAT.

John Cryer (Leyton and Wanstead) (Lab): The hon. Lady says that the VAT increase is the least worst option. Could she list the worst options?

Lorely Burt: Well, we could have some further job cuts; that would not help. We could just not stimulate business; that would not help. We could charge lower earners more income tax. Hon. Members should not forget that this is the coalition Government who have raised the level of tax for the lowest-paid earners—something that the Labour party did not do in 13 years of government.

Income tax is a very important area in addressing issues that the hon. Member for Stretford and Urmston (Kate Green) and several other Labour Members have raised. We want to ensure that people can keep more of their own money that they have earned. The raising of the income tax threshold towards our Liberal Democrat target of £10,000—it increases to £7,475—takes 880,000 people out of tax altogether and means that 23 million people will gain an average of £176. That is really important to local people.

Mr Iain Wright: Does the hon. Lady think that the coalition Government's policy on personal allowances for the over-65s is the right approach?

Lorely Burt: As I understand it, they are unaffected. I wish to say a word about pensions: is it not strange that in Labour's 13 years in government the earnings link was not restored? This coalition Government have introduced that in their first weeks in government. We have the triple lock: we have 2.5% or earnings or prices—

Clive Efford *rose—*

Lorely Burt: I am going to make a bit of progress. Before Labour Members leap to their feet to criticise, they should reflect on the fact that they had 13 years in power and they leave a shameful legacy. It required this coalition Government to come into office to introduce that, and we are doing so in such a short period.

Mr MacNeil *rose—*

Mrs McGuire *rose—*

Lorely Burt: I have given way to the right hon. Lady already, so I shall give way to the hon. Gentleman.

Mr MacNeil: I have listened to the hon. Lady's arguments for accepting the VAT increase, but over the financial year the projected deficit fell by about £15 billion to £20 billion. Surely that blows apart the Liberal Democrat case for accepting a 2.5% increase in VAT.

Lorely Burt: Yes, the hon. Gentleman is right in saying that, but at the same time we have since discovered that a lot more money is not available to us for use. It is not there. Therefore, in order to balance the books it has been necessary to increase VAT.

Mr MacNeil: Will the hon. Lady give way?

Lorely Burt: I am not going to indulge the hon. Gentleman again, I am afraid.

We also welcome the postponement to 77 of when an individual can take an annuity, and of course we welcome the closing of loopholes and the anti-avoidance legislation; everyone should pay their share. That is something that we as a coalition Government will work hard to ensure.

We need tax to be simple and fair and to help us along the road to recovery. We need the stimulus for business, because business will be the engine that pulls us out of recession. We need fairness on income. We need to close the loopholes; they are already partially closed, although more work needs to be done. The least well-paid will at least be able to spend more of their own money. So we on these Benches support the Bill.

6.11 pm

Helen Jones (Warrington North) (Lab): It is a pleasure to be able to speak in this House again after several years of being allowed to say only things like, "Beg to move" and, "Tomorrow". I crave the indulgence of the House, as I am not used to making substantial speeches any more.

I want to go back to what we have heard over the past few months from both the Prime Minister and the Chancellor. It has been a constant refrain of, "We're all in this together." Now that we have seen their Budget and the Finance Bill, we can see how hollow that soundbite was. What is taking place under this Con-Dem Government is very simply an attack on the poorest people in this country conducted by people who think poverty is not being able to afford the uniform for the Bullingdon club. It is an attack on working families on low wages conducted by people who are the inheritors of trust funds. It is an attack on jobs fronted up by two people—a Prime Minister who got his first job after a phone call from Buckingham Palace, and a Deputy Prime Minister who got into the European Commission because his next door neighbour knew the right man to ring. If only it was as easy for everyone else out there.

It is clear from a simple analysis of the Budget that the poorest are affected three times as much by the increase in VAT as the richest; that the poorest 10% of the population lose as a percentage of their income twice as much as the richest 10%. It is significant, when we look at the measures in the Finance Bill, that a private client partner from Ernst and Young was quoted in *The Guardian* as saying:

"the fiscal impact on the higher earners is largely restricted to the increase in CGT together with some fiscal drag caused by the freezing of the higher rate threshold."

That is what we are seeing in this Bill.

Mr Kevan Jones: Has my hon. Friend seen the excellent Library note on VAT? Does she agree that the lowest 10% of households are worse off because they pay some 18% of their disposable income in VAT while the richest spend less than 10%?

Helen Jones: My hon. Friend is right. It is often forgotten in the discussion on VAT that much of the spending of the richest households is discretionary, while the spending of the poorest households is necessary. That is what the Government propose to tax.

Mrs McGuire: Given what my hon. Friend has said, and what my hon. Friend the Member for North Durham (Mr Jones) said about the Library note, was she not as surprised as I was that when I asked something similar of the Prime Minister, he tried to suggest that somehow the increase in VAT would not disadvantage the poorest 10% and that the top 10% spent more not only in real terms but as a proportion of their income in VAT? That has obviously been discredited by the Library note.

Helen Jones: My right hon. Friend is absolutely right. That serves to show us the ignorance on the Government Benches of the lives of some of the poorest people in this country. I could forgive them if their Budget and Finance Bill were simply the product of ignorance, but they are the product of ideology. It is the Government's decision to take £40 billion out of the economy, to raise VAT and to cut investment allowances for business, and it is a purely ideological decision. They pin their hopes on an increase in growth, yet even their own leaked Treasury figures tell us that we will lose 1.3 million jobs as a result of these measures, not only in the public sector but in the private sector.

We know already the plans of the Government parties for jobs. They began early on by cutting the future jobs fund—118,000 jobs for young people, 18,000 in a region such as mine, wiped out. I want to quote what the Liberal Democrat candidate in my constituency, described on his leaflet as the strong local candidate, said before the election. He was so strong that he managed to come third in the parliamentary election and third in what was previously a Liberal Democrat council seat. He said:

"Lib Dems believe that if you are unlucky enough to lose your job you should be helped there and then to get another one."

Yet the measures in the Bill and the Budget will destroy jobs and introduce no measures to create them.

Mr Kevan Jones: Does my hon. Friend agree that the problem with the cuts announced yesterday in Building Schools for the Future and the massive cuts in local government is the belief "public sector bad, private sector good"? A couple of weeks ago, I met the Civil Engineering Contractors Association in the north-east, which told me that its members were relying on BSF and investment in roads. The cuts will have an impact not just on their businesses but on jobs in my constituency.

Helen Jones: My hon. Friend is right. The Treasury's own forecast shows a huge loss of private as well as public sector jobs. Many private firms depend on public sector contracts to keep going. More to the point, enterprise does not flourish when so much money is taken out of the economy that it becomes devastated. If the Government cut benefits, freeze wages and cut public sector jobs, that does not lead to a vital entrepreneurial culture but to a culture of fear in which people do not take risks.

Let me take one example of the way in which the Government have failed to consider the knock-on effect of the Finance Bill. They propose to increase VAT. That will have a damaging effect on the retail sector, yet that sector provides many entry-level jobs and jobs for women who wish to combine work with looking after children. It provides jobs for the women whom the Government want to get back to work when their children go to school. If those jobs are not there, where will those women go? There is simply no joined-up thinking here.

Clive Efford: My hon. Friend has moved on from investment in the construction industry, but I wanted to point out that that industry accounts for 10% of our gross domestic product and public sector expenditure accounts for 40% of the activity in the construction industry. That shows up the regressive decisions made by the Government.

Helen Jones: I could not have put the point better than my hon. Friend has.

Simon Hughes: Will the hon. Lady give way?

Helen Jones: In a moment—I will make a little progress first.

[Helen Jones]

Something interesting is happening on the Government Benches. We used to hear from the Con bit of the Con-Dem alliance simple, open hostility to the public sector and the welfare state. Now, most of them are becoming a little more sophisticated and wrapping it up a little better. The Chancellor says constantly, "The things I'm having to do are dreadful. I don't really want to make these cuts. However, if I could cut benefits more, it wouldn't be so bad." It is an interesting exercise in shifting the blame. The implication is that responsibility lies not with the Government's decisions, but with those in receipt of benefits.

Phil Wilson: In the March Budget, the then Chancellor offered reform of housing benefit that would have saved about £250 million a year. This Government have brought in cuts of £1.8 billion. That is not reform; it is an ideological cut in welfare, which will hit some of the poorest people in this country. That proves that these are cuts of choice—they did not have to make them to cut the deficit.

Helen Jones: My hon. Friend is absolutely right, and I shall talk about the effect after giving way to the hon. Gentleman.

Simon Hughes: I did not want to lose the hon. Lady's point about jobs. She is being neither entirely fair nor entirely accurate. If she reads the Office for Budget Responsibility report at the back of the Red Book—the independent assessment—she will see it clearly stated on page 82 that

"the more rapid increase in employment is sufficient to lower unemployment, so that the ILO unemployment rate falls to 6 per cent in 2015. Claimant count unemployment continues to fall throughout the forecast period."

The projection—not Government or party political—is that over that period unemployment will go down and employment will go up.

Helen Jones: If the hon. Gentleman is so confident about that, perhaps he will get his right hon. Friend the Chancellor to publish the Treasury forecasts that he is currently failing to publish. The OBR figures are based on forecasts of growth that I do not believe we will achieve because, to be frank, those forecasts have never been achieved in 40 years.

Clive Efford: Does my hon. Friend find it as curious as I do that the figures leaked from the Treasury are produced by the same people who produced the figures for the OBR, and yet those figures conflict? Is she confused about that?

Helen Jones: I am extremely confused and rather surprised that, although the Chancellor said that he would make sure that nothing was hidden in the small print and that he would show us all the figures, he declines to publish the Treasury's own forecasts.

Mr Redwood: Will the hon. Lady give way on that point?

Helen Jones: I want to finish my point first. We are talking about an attempt by the Government to switch lane by saying that what is happening is not a decision of the Government, nor the fault of the banks, which brought us into global economic meltdown because of their irresponsible lending and reliance on financial instruments that they did not understand. The Government's treatment of the banks compared with their treatment of some of the poorest people is significant.

The Chancellor made great play of his levy on the banks, which will raise £2 billion a year, but the big five banks alone will gain £1.6 billion from the changes he set out to capital gains tax. No attempt has been made to rein in City bonuses—in fact, rather than coshing the banks over the head, he tickled them with a feather duster. So good was the news for the banks that their shares actually went up.

Compare that with the treatment that the Chancellor has meted out to industry. We hear much about the fall in capital gains tax, although the Government are legislating that for one year only. What we do not hear is that that is being paid for by cuts in investment allowances, which hit manufacturing the hardest. There we have it: those who want to invest for the long term and capital intensive industries that want to create jobs in the future will be hit. This is a Bill for industries that are less capital intensive but that are making vast profits—industries that, as the Institute for Fiscal Studies said, are "typified by the financial sector". What we have here is simple: rewards for those wanting to make a fast buck and a hit for those who are interested in long-term investment. It is the Del Boy Bill—it could have been written by Trotter's Independent Trading. I am only sorry that Rodney has disappeared from the Dispatch Box.

Mr Kevan Jones: Does my hon. Friend agree that those same banks are continuing to build up their balance sheets by not lending to small businesses—precisely the businesses that need investment now to grow, if we are to achieve the growth forecasts? There is nothing in the Budget that will force the banks to make sure that vital capital is supplied to those growing industries.

Helen Jones: Indeed—that is correct. What is more worrying is that linked with that is the Government's failure to provide in the Bill any hope or assistance for British firms that want to compete in the global market and create jobs in the long term. It is a tale of two cities: on the one hand, there is the City of London; on the other, there is Sheffield—what the Deputy Prime Minister called throughout the election, "my city of Sheffield". Well, we have seen what he plans for Sheffield—absolutely nothing. The Government's attitude can be summed up in two words: Sheffield Forgemasters. There is nothing in the Bill or in the Budget that helps manufacturing industry in the long term.

David Wright (Telford) (Lab): The problem with the Bill is that it is coupled with the total destruction of regional economic policy. It is not just Sheffield and the north-east that will suffer; every region will suffer because of the virtual destruction of the regional agencies that provide business support and advice and grants to businesses in communities such as Telford.

Helen Jones: My hon. Friend is right. The Bill goes with the destruction of the regional development agencies, which were vital to regions such as mine. As my hon. Friend the Member for Halton (Derek Twigg) said

earlier, it goes with huge cuts in programmes such as Building Schools for the Future, which were vital to the construction industry in our area.

Simon Hughes: As one of the three MPs representing the borough of Del Boy, may I say to the hon. Lady that we on these Benches are clear that the bankers' bonuses need to be curbed and reduced further and we will continue to press for that? The people who contributed hugely to our present troubles should pay the price to a much greater extent than anybody else.

Helen Jones: I am grateful to hon. Gentleman for intervening, because I want to say to him that his party is in government. If the Liberal Democrats want to do something about that, they can, but they have singularly failed to do so.

Let us consider the people who are paying the price of this Finance Bill—those who will be affected by the rise in VAT and who are already being hit by the cuts announced by the Government in their Budget. The Chancellor talks a lot about those on benefits. The implication, unstated but always there, is that they are all scroungers. Nothing could be further from the truth. Most people who will be hit by the cuts that he has announced are from hard-working families on low incomes. He has already announced that those on family incomes of a little more than £15,000 will see their tax credits cut. By 2012-13, anyone with a family income of more than £30,000—£15,000 each—will lose their tax credits. Child benefit has been frozen, which is an effective cut of £116 a year, but those people will have to pay the VAT increase that the Government have imposed on their spending.

Mr Kevan Jones: Is my hon. Friend also aware of the fact—unannounced, I think, because it did not get many headlines—that the Government are going to cap mortgage interest relief for those who become unemployed? That will affect hard-working people who, through no fault of their own, become unemployed, and it will lead to evictions. That is in stark contrast with the previous, Labour Government, who protected those people.

Helen Jones: Indeed, and if my hon. Friend will permit me I shall come on to that issue in a moment.

Before I move on, I want to mention the cuts that will specifically hit families with young children, including the scrapping of the baby element of child tax credits and the scrapping of the new toddler credits for one and two-year-olds. That will cost an eligible family more than £1,000 a year, even before they start paying the price of the VAT rise.

Helen Goodman: My hon. Friend is absolutely right to point out the devastating impact on families. Has she looked at the serious impact of the cuts in housing benefit on households with people who are in work and households with old-age pensioners? From the housing benefit cuts alone, it looks as if 1 million people will suffer further reductions of between £500 and £1,000 in their incomes.

Helen Jones: My hon. Friend is right, because some of the nastiest, meanest cuts in the Budget are to housing benefit and mortgage support. Mortgage interest support will be limited to the average mortgage rate, meaning many families will no longer be able to meet their payments. If someone is unlucky enough to lose their job and be out of work for 12 months, even if they have done their level best to find a job and applied for everything going, and even if there are no jobs, their housing benefit will be cut by 10%. That is not a work incentive, as the Government seem to think; it will lead to a spiral of repossessions, homelessness, family stress and breakdown, which will simply increase the cycle of worklessness.

Is that really what the Prime Minister meant when he said that this Government were going to be the most family-friendly Government on record? They will not be for families in my constituency.

Lyn Brown (West Ham) (Lab): Does my hon. Friend agree that it is not cost-effective to split up families and treat them in that way? The very circumstances that she describes actually cost the state more money.

Helen Jones: My hon. Friend is right. If families have to be split up, put into emergency accommodation or are trapped in the cycle of worklessness and poverty, because not having a home makes it much harder to get a job, that not only inflicts appalling circumstances on them, but costs the taxpayer far more money in the long run.

Andrew Bridgen (North West Leicestershire) (Con): I hate to bring the hon. Lady back to reality, but the previous Government halved the amount of manufacturing in our economy, from 22% to 11%. Under them, we built the least number of houses since 1922 in order to support the construction industry, and history will view many of their so-called investments rather harshly and, perhaps, as the biggest Ponzi scheme ever, because they did not stand up for long once the economic winds shifted against them. Will she please remember that? She will be pleased that one thing that we are not cutting is the health budget. As for those suffering from mental health problems, especially selective amnesia, I can see plenty in this Chamber.

Helen Jones: The hon. Gentleman ought to be wary of making jokes about mental health. I entered this House from a constituency where children growing up in 1997 had never known what it was to see someone in their household go to work. A Labour Government changed that and invested in decent homes, but Liberal and Tory councils constantly sold the pass on affordable homes by allowing developers to buy themselves out of their obligations, so we will take no lectures from him on employment or housing.

The National Housing Federation states that the Government's planned housing benefit cuts alone will put 200,000 more people at risk of homelessness and concentrate social and economic problems in the more deprived areas. It is the ultimate Tory nimbyism to want to move people out of city centres. They used to say, "Get on your bike and look for work." They now say, "Get on your bike and get out of my sight, because we don't want to know anymore."

Someone in London with rent of £350 a week would lose £35 in housing benefit if they were unemployed for 12 months. I ask Government Members what is the

[Helen Jones]

jobseeker's allowance for a single person? Anyone? No, I thought not. It is £65.45 a week. If those people meet the shortfall in their rent, they will be left with £30.45 to live on, to buy food and clothes and to pay for utilities and the increased VAT rate that this Government will impose on them. Not only is that not the mark of a civilised society, but it leaves those people with less money to live on in a week than many Government Members would spend on a meal—a lot less in some cases.

Mr Kevan Jones: My hon. Friend provides the example of London, but on Friday I met the chief executive of a local housing organisation who told me that she is unsure of what the cap will be on rents in Durham. If it is as low as £57 a week, which has been mooted, she says large numbers of individuals will have to make up the difference and some, including pensioners, will be evicted.

Helen Jones: My hon. Friend is right. It will also cause huge damage to social housing providers, who will face more and more arrears. That is the problem with the Finance Bill and with the Budget. They do nothing to create the jobs that the Government tell us we need, and they squeeze the poorest.

Let us look at what the Government plan for disabled people. The vast majority of people with disabilities would like nothing better than to have a job, and the previous Government did much to get them back into work. However, this Government plan what they call a simpler process—something that they say will reduce dependency and promote work. But the major flaw is that getting people with disabilities back into work is not a simple process. What happens to those with fluctuating conditions or mental health problems? They cannot be assessed by a simple test; that is exactly the point. We are bound to conclude that it is simply an exercise in cutting the budget by £1.4 billion.

There will be no jobs if we go down the road suggested by the Bill. At the end of that road, we encounter the risk of a double-dip recession, billions being taken out of the economy, the poorest and their spending attacked and reduced, and major cuts in benefits. That will not support the economy; it will undermine the growth of the economy. I say to my hon. Friends that this Finance Bill risks devastating the economy, dividing communities and producing the kind of recession that we saw in the 1980s. That is not a risk that we Labour Members are prepared to take, and that is why we will vote against the Bill.

6.40 pm

Mr John Redwood (Wokingham) (Con): I remind the House that in the Register of Members' Financial Interests I have declared that I offer business advice to an industrial and an investment company.

In this debate, the Labour Treasury spokesman wanted to talk the economy into a double dip. He was trying to create a mood of gloom and doom. He rejected the independent forecasts provided in conjunction with the Budget and the many independent forecasts put together by people outside the House, and sometimes outside the country, which all say that a recovery is expected for the British economy over the next five years and that that recovery will be led by investments and exports.

Obviously, the scepticism among those on the Opposition Benches arises because Labour Members have not understood one fundamental thing. The economy was so badly damaged and devastated by what happened in 2008-09 that it can indeed, I am pleased to tell the House, have a recovery based on higher exports, higher manufacturing output and higher service sector output—because the outputs were so badly hit in '08-'09. That does not mean that we will go into a new utopia or suddenly into overdrive with superbly high growth rates; it means that we will start recovering from a disastrous banking crisis and recession, which some of us felt were made far worse by the policies and antics of the Labour party when it was in office.

To try to buttress its double-dip case, the Labour party is now saying that the true Treasury forecast says that, far from there being a drop in unemployment, there will be 1.3 million job losses and that somehow my right hon. and hon. Friends at the Treasury are trying to conceal that. As I understand it, the leak to *The Guardian* was misjudged because it was a working paper with lots of errors in it. The proper expression of Treasury opinion was passed to the Office for Budget Responsibility, which is manned by people of independent judgment who could ask the Treasury for all the details that they wanted about its workings, and could use the Treasury's own models. They came to the perfectly sensible conclusion, shared by most other forecasters, that there will be nothing like that degree of job loss and that unemployment will indeed fall over the period of the forecast.

Kelvin Hopkins: The right hon. Gentleman has paid a glowing tribute to the Treasury. Was it not the Treasury that advised the 1979 Conservative Government, who drove us into a massive recession, with 3 million unemployed? Was it not the Treasury that advised the then Conservative Government to go into the exchange rate mechanism and cause 2 million to be unemployed? Did not the Treasury get things wrong time and again? Is the right hon. Gentleman not praying in aid an organisation that has demonstrated its failure over and over again?

Mr Redwood: The hon. Gentleman is making my case for me; I am saying that the 1.3 million forecast figure was an error, and that it will be seen as such. He rightly says that the Treasury can make mistakes. On this occasion, we are pleased to say that an independent judge outside is reviewing all the facts and figures and the working papers and coming up with a forecast that reflects the views of many more people outside the Treasury.

Owen Smith: Given the right hon. Gentleman's admission that the OBR's forecast on job losses may be wrong—*[Interruption.]* Well, if he was not implying that, that is what I took him to be implying. Irrespective of that, I want to ask about the OBR forecast's and the leaked Treasury document's anticipation of increases in private sector jobs over the next five years. Given the right hon. Gentleman's long experience of economic matters, will he comment on the plausibility of that suggestion, given that during no period in the past 40 years has that volume of private sector jobs been created, apart from in the early 1980s—and then only through the fiction of the privatisations.

Mr Redwood: The point that I have been making for the Labour party's benefit is that I think it is possible to get a reasonable private sector-led recovery from here, because the private sector was so gravely damaged and battered, and the figures were so awful, in '08-'09. We are talking about rates of change from a very low base, so it is quite possible for things to get going.

Clive Efford *rose—*

Grahame M. Morris (Easington) (Lab) *rose—*

Mr Redwood: I should like to finish my point.

At the moment, there are worries, reflected in the comments made by the shadow Chief Secretary to the Treasury, that the clouds may be gathering again in the international community, and we need to watch that. I suggest to those on the Treasury Bench that we need to do more work on ensuring that our banks are capable of lending in sufficient quantities so that all the private sector projects we need and all the private capital we need for the public projects as well can go forward as rapidly as possible.

We can encourage that to happen in many ways. An important part of the policy is that when we get some control over public spending and the public deficit, to instil confidence in the markets, we use those markets for a well financed private sector-led recovery, so that we can surprise on the upside in comparison with the fairly cautious figures given by the OBR. I am certainly not challenging the OBR figures, which are the best available at the moment. I would like to think that we could improve on them over the five years. If we do more about how the banks work and are regulated, so that we can accept that they have enough cash and capital for this stage of the cycle, and if we allow them to get on with the job of lending more money to businesses and worthwhile public projects, we can make progress.

We can also make a lot more progress in the public sector in respect of the public spending plans published in the Budget. Those public sector spending plans show public spending going up every year in cash terms over the five years to which the Finance Bill relates and is trying to finance. The increases are not very big, so if there were lots of wage increases and a lot of price inflation for the things bought by the public sector, and if there were the explosion in benefit claims that Labour is wrongly forecasting, there would of course be a big squeeze on much valued public services. We Government Members do not wish to see that any more than Labour Members do, and I wish that they would not keep pretending that somehow we want to cut the services, because we do not.

Grahame M. Morris: Two simple decisions arose from the Budget: the new £464 million hospital north of the Tees and the £500 million Building Schools for the Future projects in County Durham were cancelled. All would have been built by the private sector. How will those cancellations assist the growth in the private sector, particularly in respect of jobs in my constituency?

Mr Redwood: As the hon. Gentleman should be aware, the outgoing Government's capital spending plans have not been changed by this Government. We have to accept the previous Government's plans for a modest increase in the capital stock of the state over a period of great stress in the budgets. But the cancellation of the Building Schools for the Future programme and its replacement with a programme that gives better value for money is exactly what we want. The trouble with Building Schools for the Future was that there were three years of delay and £10 million of consultancy costs before bricks and mortar or steel and glass could even start to be laid.

What my right hon. and hon. Friends rightly want to do is cut out all that nonsense, stop wasting all the money on the documentation, delays, consultancies and all the rest of it, and have a more straightforward approach, so that a bigger proportion of the inherited capital expenditure budget can be spent on bricks and mortar and bricklayers' wages, as the hon. Gentleman wants.

Owen Smith: Is the right hon. Gentleman worried in any way by the remarks, made during the radio discussion that he took part in this morning, about the £50 billion of contracts that would be taken out of the construction industry as a result of the cancellation of the Building Schools for the Future programme? Will that not have a detrimental impact on the economy—specifically, on jobs in construction?

Mr Redwood: Once again, the hon. Gentleman is not listening. I was explaining that the coalition Government have made no change to the capital expenditure line that they inherited from the outgoing Government. What they will do is get more bang for the buck—to get more spending on construction, relative to the total investment line in the Budget. On the radio this morning, I was able to satisfy the other people in the discussion; the independent forecaster's overall forecasts for the economy say that investment is going to rise. There will be an overall increase in investment because more homes will be built over the next five years than the pathetically low figure that was reached under Labour. There will be more investment in housing improvement, and more investment by the private sector. That more than offsets the decline in the investment programme in the public sector inherited from Labour.

Mr Meacher: The right hon. Gentleman's fantasy that there will be a continuation of or an increase in capital investment is completely belied by the OBR forecast on page 90 of the Treasury Red Book, which shows that net investment will fall from £49 billion in the current year to £21 billion in 2014-15. That is a colossal drop.

Mr Redwood: Those are Labour's figures for the public sector. I have just told the House that I am talking about total investment across the economy. Overall, the right hon. Gentleman will find in the Red Book that it is anticipated that the rises in investment elsewhere will more than offset Labour's cuts in the capital programme, which we have decided to live with. I should also tell him that he is quoting the net line when he should be quoting the gross line. In other words, he is knocking off the depreciation, whereas we are interested in the total spend—the gross line, which is much higher than the figures that he has inadvertently, I think, given the House in error.

Mr Meacher: How can the right hon. Gentleman believe that private investment will remotely compensate for this enormous fall in public sector net investment, given that household consumption is falling, particularly with the increase in VAT, the banks are not lending, and export markets are fading because of the situation in the eurozone? Why should the private sector invest in those circumstances?

Mr Redwood: That is what I have been explaining to the right hon. Gentleman. We are in this position because everything has been so awful. The private sector has just been through a couple of years when it has invested practically nothing because companies could not get any money and were not making much profit. Now, profit margins are growing, there is a bit more money around and they are getting more confident for the future.

It would be much better if Labour Members got behind their voters and constituents, who want the jobs that we wish to see created, got behind the recovery that everybody else is forecasting, and started to live in the real world. They presided over the collapse. Throughout their years in office, manufacturing fell, whereas in the Tory years before that, manufacturing rose. We want to get manufacturing rising again. From that point of view, the one good thing that they did was to preside over a collapse in the value of the pound. They probably allowed it to collapse a bit too much, and it is beginning to rise again under the new Government. That gives those in manufacturing a huge opportunity to make better profit margins, to invest more money, and to produce more. That is exactly what they are beginning to do, and there will be a beneficial effect.

Owen Smith: In the light of what the right hon. Gentleman suggests about manufacturing, is he not worried when he sees the prediction in the Deloitte manufacturing index that over the next five years our manufacturing will decline, not grow, and that we will shift from our admittedly low position of 17th on that index to 20th?

Mr Redwood: A shift in the relative position predicted by someone else does not necessarily mean that manufacturing is going to decline. The figures in the official forecast, and I think in most sensible forecasts outside, show that manufacturing will recover from the very low base that it reached in 2009-10. That is what is needed, and we need to have policies that do just that.

Mr Meacher *rose—*

Mr Love *rose—*

Mr Redwood: I am going to conclude, because many people wish to participate in this debate. Labour Members may want to be here until 3 o'clock in the morning, but they never used to when they were in the dock and did not allow us the time to debate these things properly.

The Budget is a necessary evil to clear up the mess inherited from the previous Government. This is a necessary task to instil confidence and to avoid interest rates going through the roof. Labour Members should look at what has happened in Ireland. Ireland had extremely big cuts—bigger, I am pleased to say, than those in this Budget. In the last quarter, the Irish economy started to grow extremely well, which is exactly what Labour Members are predicting cannot happen if one starts to get control of public spending.

I urge the Government and the whole public sector to work strongly together to ensure that these modest increases in cash spending translate into maintained and improved public services, as they can if we take the right action over pay rates, efficiency levels, improved process, investment in technology and so forth. I hope that we will get the banks working better by creating a more competitive environment so that we can then have the investment we need in the private sector to fill the gap and create the jobs. This is a doable task and a feasible profile, and it is backed by the independent forecaster. We need to be very sure that we are going to pump everything into that task, because recovery is what we all want.

Vernon Coaker (Gedling) (Lab): On a point of order, Mr Deputy Speaker. Has the Secretary of State for Education indicated to you any desire to come to this Chamber to explain the situation that has arisen? Following the points of order that were made by me and two of my hon. Friends, a further list of schools affected by the Building Schools for the Future cuts was published this afternoon. That third list reflects 22 errors from the first list, which means that a significant number of communities up and down the country have been affected by the chaotic statement about schools made yesterday by the Secretary of State. Are we to expect a fourth list, given that there are still some concerns that even the latest list may not be totally accurate? If not this evening, then tomorrow, we should expect the Secretary of State to come and explain what on earth is going on in respect of the cuts that are being made to a programme that is welcomed in communities up and down the country.

Mr Deputy Speaker: I have not received any information as to whether the Secretary of State for Education wishes to make a statement this evening. I remember that in the hon. Gentleman's first point of order for me he said that he had not received any list; he now appears to have three. I understand that the Speaker has already made a ruling on this matter. I am sure that if the Secretary of State does at some stage wish to make a statement, this House will be informed.

6.56 pm

Stewart Hosie (Dundee East) (SNP): I intend to finish my remarks by talking about the performance of the Chief Secretary, but I will start by commenting on what the shadow Chief Secretary said. He rightly pointed out that if the Government did not get the growth forecasts that they expected, the only option that they would have in meeting their deficit reduction targets would be to cut more. However, Labour's policy to halve the deficit, again in a fixed time scale, suffered from precisely the same problem. If the growth forecasts of 3.25% for four of the next five years had not been met—indeed, if there had been a downturn—there would have been no room not only for a fiscal stimulus but, perhaps, for the use of the automatic stabilisers. The Government's plans and Labour's previous plans have that problem in common.

Let me start by commenting on the things that we agree with in this very thin Finance Bill. I am pleased that the Bill seeks to bring down corporation tax. The

phased reduction in the headline rate will provide an incentive for businesses to locate in the UK, although I am not convinced that paying for this through the changes to investment and other capital allowances might not yet prove to be a problem for growing businesses. As the hon. Member for Warrington North (Helen Jones), who is not in her place, said, this may help businesses that are up and running, but not those that seek to grow. I am disappointed that she is not here, because if she were, I would have the opportunity to ask whether she now regrets the Labour Government's abolition of the industrial buildings allowance—another key allowance to help industrial investment that went some time ago.

Mr Redwood: The hon. Gentleman and I made common cause against the previous Government for not adjusting for the cycle in their Budget plans. I believe that this Government have said that if things were to go wrong and we headed into another global recession, they would adjust the plans accordingly for the cycle.

Stewart Hosie: Indeed. It is worth making the point, though, that on paper there is a rigidity about this. I remain concerned that if growth forecasts, downrated sensibly, are not met, there will have to be these necessary adjustments.

I welcome the phased reduction in corporation tax, but question whether it makes sense to pay for it through changes to capital and other investment allowances. The Road Haulage Association has said:

> "We are concerned about the reduction of the investment allowance for small firms to £25,000 from £50,000 which will have a detrimental impact on small haulage companies."

That trade body probably speaks for many in its approach to the change to the annual investment allowance.

I am pleased by the way in which the Government have handled the capital gains tax changes, keeping the rate unchanged for basic rate payers to encourage and allow modest investment but increasing the rate for higher taxpayers. Closing the gap removes a perverse incentive to take income that could be taxed as capital rather than through income tax, but keeps a sufficient distance between the rates of income tax and capital gains tax to encourage real investment. That was handled quite well.

I have a question, though, about the rationale for the increase in insurance premium tax. I heard the explanation that it has previously mirrored the VAT rate, but there is no reason why that should still be the case. It will bring in some £2 billion in additional tax over the next five years, and I can only hope that that decision does not come back to haunt this Government in the way that the abolition of advanced corporation tax on pensions came back to haunt the Labour Government. The Conservative party in particular has made a great many criticisms about how that pension change was made and the impact that it had. Indeed, it was a smash-and-grab raid that the Chancellor described as "disastrous" in *Accountancy Age* last year. I hope that the insurance premium tax increase will not be described in that way in future.

Incidentally, in the same interview, on 6 October, the Chancellor also stated his aim to get the country saving again, which makes it even more difficult to explain the coalition Government's intention to scrap the child trust funds. We have spoken about savings and savings ratios in the past, and the Red Book forecasts future ratios of just over 5%. However, that is about half the savings ratio that the Labour Government inherited and about the average through the whole of 2004 and 2005. It is not particularly ambitious, if the Government's intention was to get the country saving again.

However, the real damage in this Finance Bill, as many Members have mentioned, is the determination to put up VAT. That directly contradicts the stated intention of both coalition parties to create a fairer society. Although it may well be the case that in cash terms the wealthiest will pay more VAT, it is clear that the poorest 10% will pay nearly three times higher a percentage of their disposable income than the richest 10%. That is all because of the wrong-headed view, to some extent shared by Labour, that deficit consolidation must be achieved quickly. That is based, I believe, on a flawed assessment of the Canadian model, rather than a credible one perhaps based on the New Zealand model, which certainly worked. The consequence of the VAT changes, at least according to Save the Children, is that the VAT bill for the poorest could rise to more than £31 a week.

Mr Kevan Jones: The hon. Gentleman mentions the Canadian model, but does he agree that what we are seeing today is very similar to the Canadian model in that it was not necessarily just about deficit reduction, but was ideologically driven to reduce the size of the state in Canada?

Stewart Hosie: I think that was certainly a consequence of the actions that were taken, but the reason I say that the assessment was flawed is that Canada sat on the northern border of a booming American economy, and its recovery was export-driven. That was a sensible approach to take. I would love our economy to be export-driven as well, but given that the European Union is our biggest trading partner with more than 60% of our goods by volume going there, I cannot see how an export-driven recovery can be achieved to the extent that is hoped for. I would love it to be, but from looking at the numbers, I cannot see how it will happen.

Kelvin Hopkins: The hon. Gentleman mentioned deficit reduction. Does he recall that in the post-war era successive Governments, Labour and Conservative, maintained a policy of full employment, which saw a gigantic deficit way beyond anything that we are seeing at the moment being seriously reduced? Does he accept that full employment, not cutting spending, is the way to reduce deficit?

Stewart Hosie: I certainly agree that long-term, sustained and sustainable above-trend growth is the real answer, but that is not to minimise the problem of the deficit and the impact that it can have on market credibility and the cost of money. I am not one to say that we need deficit or debt at any cost; I am arguing for a credible deficit consolidation plan as opposed to a fixed-term plan that is inflexible and will not work.

The current situation has led to the VAT increase, and given that the poorest families may now pay more than £31 a week, I want to think about the impact on those families. Their unemployment benefits may be reduced in real terms, their tax credits cut and their

[Stewart Hosie]

housing benefit put under real pressure, particularly in areas where rented housing is expensive. That part of society will suffer most from the VAT rise. According to Shelter, nearly half of local housing allowance claimants are already making up a shortfall of almost £100 a month to meet their rent. Socially, a VAT increase for people who are that hard-pressed at the moment might be considered unforgivable.

Mr MacNeil: One of the fig leaves that the Liberal Democrats have used to accept the VAT increase has been the argument that they did not understand the nature or size of the deficit until they got into bed with the Conservatives. However, a glance at the pre-Budget report and the Budget shows that the deficit is actually £20 billion to £30 billion lower, thereby surely blowing holes in the Liberal Democrats' argument for accepting a 2.5% VAT increase, which will hit the poorest in our society.

Stewart Hosie: That is absolutely correct. It is a pity that there is merely one Liberal left in his place to hear that argument. My hon. Friend makes a very good point that the deficit forecast now is less than that forecast in the Budget and the pre-Budget report. That certainly confirms the case that we made for a fiscal stimulus. Another criticism that comes from his intervention is not simply that Liberals do not understand the numbers but that the Labour Government left the UK as one of only two countries in the G20 without a fiscal stimulus, fully withdrawing it in 2010 before recovery was secure.

To wind gently back to VAT, I said that the increase would perhaps be socially unforgivable. It also makes little sense in economic terms. The British Retail Consortium has described it as "disappointing", which was something of an underestimate given that it went on to state, bluntly:

"We didn't want a VAT increase. It'll hit jobs."

Simon Newark of UHY Hacker Young warned that the rise could push up prices on the high street by about 2%, which could have a significant impact on inflation. He went on to warn:

"Higher inflation could trigger interest rises, risking the spectre of the double dip recession."

Still others are warning that the rise will exacerbate cash flow problems.

Mr Kevan Jones: I wonder whether the hon. Gentleman read *The Herald* of Scotland this morning. He knows that I read the newspapers carefully. It states that because of the VAT increase, the Commonwealth games in 2014 will cost an additional £20 million?

Stewart Hosie: That is absolutely right, and VAT will not just hit building and the purchasing of supplies for the Commonwealth games or the Olympics, and it will not just hit the private sector and families. It will hit the public sector, which buys VAT-rated supplies and goods of all sorts. It will effectively mean spending power going out of the economy and straight to the Treasury.

Mr MacNeil: Such as £26 million on health.

Stewart Hosie: As my hon. Friend says, it will mean £26 million extra on the bill to the NHS in Scotland alone. We can easily add up the figures for all the public bodies and find out what the real cost of the VAT rise will be area by area, but we know that it adds up to £13 billion in total. It makes up more than a quarter of the additional £40 billion of fiscal tightening that the Government wish to see in 2014-15. That is £40 billion in that single year, on top of the cuts and tax increases inherited from the Labour party that they intend to keep. There is a huge problem with the VAT component of this Finance Bill.

Andrew George (St Ives) (LD): By and large, I must commend the hon. Gentleman for a constructive contribution to the debate—we have not had many so far. Given the amendment that I tabled last Monday about impact assessments on VAT, what alternative would he recommend to fill the hole that would be left by not increasing VAT by 2.5%, or does he not recommend an alternative?

Stewart Hosie: I suffer from the advantage of tabling many new clauses and new schedules to the Fiscal Responsibility Bill to establish a medium-term fiscal consolidation precisely to avoid the slash-and-burn approach of a massive hike in the most regressive form of tax. Instead of the VAT increase, I would not tackle the deficit and debt over a fixed term—certainly not a short fixed term such as the Government propose—but do it in the medium term, not least to benefit from the £50 billion of medium-term savings from cancelling and not replacing Trident. The Liberals appeared to be in favour of that midway through the election campaign, but were not towards the end, when it looked as if their leader would be in a position of some influence and power. I will stop there because the Liberals have had a hard enough time, but I will return to the subject shortly.

It is not simply what is in the Bill that causes problems, but what is not in it, and the missed opportunities that that represents. The reasoned amendment outlines those. For example, the Bill could have taken its lead from the second and final report of the Holtham commission—the Independent Commission on Funding and Finance for Wales—which repeated its call for an immediate "Barnett floor" on departmental expenditure limit payments to Wales. My hon. Friend the Member for Carmarthen East and Dinefwr (Jonathan Edwards) mentioned that earlier. That came a year after the commission's first report recommended that such a floor, which would prevent further convergence between Wales and the England average, should be a multiple of 114% spending in Wales for every 100% in England. The Scottish National party and Plaid Cymru were delighted that the Chief Secretary confirmed earlier that there would be no further convergence in funding for Wales in the next few years at least. I am sure that my hon. Friends in Plaid Cymru will hold the Government to that.

The Bill also missed an opportunity to deliver real progress on intergovernmental relations with Scotland. The Government could have ensured the release of the fossil fuel levy—nearly £200 million sitting in a bank account—without a corresponding cut to the Scottish block. Such a move would have been welcomed, and have provided a much-needed boost to the Scottish Government's attempts to secure economic recovery and kick-start jobs in the green economy. Better still,

the Government could have moved to a position of full fiscal responsibility for Scotland, so that Scotland would make all its tax-and-spend decisions and find its own solutions to ensure that we did not enter another recession.

There was also an opportunity to deliver a fuel duty regulator—a fuel duty stabiliser—and fair play on fuel, not least for the haulage sector. Instead, the Chancellor plans to go ahead with Labour's inflationary package of three fuel duty increases in the next year. The Road Haulage Association's chief executive said that that

"will simply further widen the gap between UK diesel duty and that of our EU competitors."

As my hon. Friend the Member for Na h-Eileanan an Iar (Mr MacNeil) said several times, the Government have missed an opportunity for a fuel duty derogation now for remote and rural areas. I hope that that idea has not been kicked into the long grass, never to be seen again, and that the Liberals in the Government might find a little steel before they are ground down completely, and deliver something beneficial to remote and rural areas throughout the UK.

Mr Kevan Jones: Does the hon. Gentleman agree that the proposals in the Bill for insurance premium tax will affect many of my rural constituents, who rely on cars as their sole form of transport? Youngsters will be particularly hard hit because they pay a larger percentage through high premiums than other drivers. Cars are not a luxury in rural communities; they are essential items.

Stewart Hosie: They are absolutely not a luxury. Insurance not only on cars but on homes and foreign travel, particularly for those who are slightly frail, is a vital matter. Taking £2 billion out of that sector is damaging enough, but if it is a disincentive, which stops people taking out the appropriate insurance, we could experience all sorts of difficulties in future.

Let me revert to the fuel duty derogation, and read out a quote:

"The case for a fair fuel deal for remote and rural communities is absolutely clear. People face longer journeys, much higher pump prices and few if any public transport alternatives. A lower rate of fuel duty is already available for remote and island areas in many other European countries."

Those are not my words, but those of the Chief Secretary to the Treasury less than three months ago on 12 April. I hope that he reads today's *Hansard*, remembers those words and begins to deliver.

There was an opportunity, had the Government chosen to take it, to stick to their own recently published stricture in the Spending Review Framework,

"to protect, as a far as possible, the spending that generates high economic returns".

They could have done that by keeping tax relief for the video games industry, protecting more than 2,000 jobs and creating 1,400 new ones; saving £300 million in investment and encouraging £146 million more; protecting £282 million in revenue yield and increasing that by £133 million. However, they did not, and that is hugely disappointing for that sector and for growth in a modern industry in this country.

Mr MacNeil: My hon. Friend mentioned the rural fuel derogation. It is important that the House understands exactly why we in the islands in Scotland feel that we deserve it. We pay more tax per litre than any other part of the UK, and, therefore, for parity, equality and fairness, a rural fuel derogation might rectify the position till we approach something fair. I stress the word "approach".

Stewart Hosie: Given that the Bill's Committee stage is three days on the Floor of the House, it is impossible to amend it as we have previously amended finance measures to introduce fuel duty regulators or derogations, but my hon. Friend is right, particularly when he talks of fairness, which is one of the alleged underpinning principles of the coalition—I hope that members of the Treasury Bench are taking note of all the matters on which they could deliver fairness, and for which they may yet be held to account if they do not.

The Chief Secretary was unconvincing in his opening speech. The Bill is thin and the VAT increase hits the poorest—that is unforgivable. Of course, the Budget may well prove economically foolish, risking inflation, higher interest rates and recession, and making tackling the deficit and the debt more difficult rather than easier. The Chief Secretary said that what was being done is unavoidable. None of this is unavoidable. It is a political choice. The proposals are political choices, and I believe that the Government have made the wrong choices. We in the Scottish National party and Plaid Cymru will oppose Second Reading.

7.18 pm

Stephen Barclay (North East Cambridgeshire) (Con): Thank you, Mr Deputy Speaker, for the opportunity to make my maiden speech.

If hon. Members googled my name as a new MP, the first website they would find is that of Steve Barclay, the comedian and cabaret entertainer. I can assure the House that that is not me in an unregistered second job. My speech sadly lacks the zany comedy and musical backing that his performances offer, and the current headline on his website,

"Barclay storms the cabaret floor"

is one that my local paper—the *Cambs Times*—will never ascribe to my performance in the House.

It is the custom to pay tribute to one's predecessor, but in my case, it is a real pleasure. Malcolm Moss represented the constituency of North-East Cambridgeshire for 23 years with great distinction. He served first as a town, district and county councillor before going on to defeat the talented Clement Freud. He was a Northern Ireland Minister in the previous Conservative Government before holding a variety of shadow roles, including playing a key role on the Licensing Bill. He was also a senior member of the Foreign Affairs Committee in the previous Parliament. Malcolm was widely liked in the House and locally and he will be very much missed.

North East Cambridgeshire stretches from the Lincolnshire and Norfolk border all the way down to the edge of Ely and Peterborough. It is the largest constituency in Cambridgeshire, which is the fastest-growing county in the country. It is perhaps better known by its former constituency name—the Isle of Ely—although it is better known still as the fens.

As I am sure all hon. Members will know, the fens were first drained in the mid-17th century to produce the fertile farming land we have today. It is a distinct landscape, with endless fields, and big skies hosting

[Stephen Barclay]

blood-red sunsets, beneath which traditional festivals such as the straw bear festival and the rose fair take place. Farming remains a crucial part of our economy, and as food security becomes ever more important, it is a vital national asset. Our fields and homes are protected by the work of the Middle Level Commissioners and the many internal drainage boards. I urge the Under-Secretary of State for Environment, Food and Rural Affairs, my hon. Friend the Member for Newbury (Richard Benyon), not to interfere in those internal drainage boards, as proposed by the previous Government. That is currently under review.

I want to focus my remarks today on a second drainage that is taking place in the fens. This drainage leaves not fertile land, but barren areas, as more and more assets are centralised in our cities, paradoxically as houses are being built in rural communities. There is a misconception that all rural areas are rich. Eighteen of the 25 most deprived wards in Cambridgeshire are in fenland, and one in 10 people in my constituency have used the excellent services of the citizens advice bureau in the past 12 months alone, 43% of whom did so for advice on personal debt—the manager, Linda Hutchinson, does a formidable job. Prosperous areas mask pockets of deprivation in rural communities, and often float us above the aggregate score on which national funding is usually targeted.

The drainage of our amenities continues at a frightening pace: we recently lost our driving test centre even though it cost only £11,000 a year in rent; our new further education college was scrapped a month before building work was due to begin; and local pubs are closing. There is a battle on to save them, not least Claire Hammond's fight to save the Nag's Head in Eastrea. We now face the risk of the closure of our magistrates court, adjacent to which is our police station, the cells of which have already been closed. I will discuss this closure with Ministers in the weeks ahead. As a community, we pay twice as much to the Exchequer in business rates as we receive back in the local settlement grant. It is time that the funding imbalance between the rural shires in England and elsewhere in the United Kingdom is looked at again.

I want to resist the temptation today to focus on the previous Government's legacy. Anyone in any doubt can look at that temple of waste, the regional fire headquarters in Cambridgeshire, which was built at a cost of £23 million and stands empty because the emergency phone lines cannot be made to work. Instead of large regional projects, we need to focus spending much more effectively to deliver the jobs and services that we need in rural communities such as mine.

First, we need to target money more wisely. The Budget was painful but necessary. However, I still feel that there are areas where policy needs to catch up with the new reality. Constituents in North East Cambridgeshire are staggered that we borrow money simply to give it away to countries such as China and India, which can afford their own space programmes. Likewise, factory workers in my constituency in food packaging, who are on modest incomes, wonder why councils can put as much as 20% of their total income into staff pensions.

Secondly, we need a clearer distinction between investment and spending—the lines have been deliberately blurred in recent years. The fens are only 100 miles from London, yet they are held back by the chronic lack of transport infrastructure. Wisbech, the capital of the fens, has no rail line when it used to have two train stations. There is a single-carriageway road, the A47, which has not been improved in decades. Its port—the only one in Cambridgeshire—was more used even in Roman times than today, and some of our villages around Wisbech get just one bus a week.

Money needs to be focused on things that can deliver economic return, including transport and our further education college. We also need to use money where it will directly save lives. I commend the campaign of my constituent Graham Chappell, who has done so much work to highlight the issue of deep waterways adjacent to fen roads, where we have had so many fatalities.

Thirdly, we need to empower our small business base far more. North East Cambridgeshire is not just about farming. We have many small and medium-sized businesses, such as the high-value engineering firm Metalcraft in Chatteris. I am delighted that we are expanding the apprenticeship scheme, but grants can also have a positive effect. In the commercial world, the aim is always to make it easier for customers to access products, and the public sector needs to do the same. It needs to cut the duplication and time-consuming paperwork so that small businesses that do not have specialised staff can access grants.

In more than 80 years, my constituency has had just four Members of Parliament. I hope that it is a tradition my constituents will continue. I will speak up for this forgotten fen landscape, which is distinct and beautiful and is not currently getting its fair share of resources. We need to target Government spending more effectively, so that we can unlock the potential that the fens offer and deliver the growth our economy needs.

7.27 pm

Nic Dakin (Scunthorpe) (Lab): I compliment the hon. Member for North East Cambridgeshire (Stephen Barclay) on an excellent maiden speech, which gave us a clear vision of the opportunities and challenges of his fenland constituency. His contribution was clear and measured.

I thank you, Mr Deputy Speaker, for allowing me to make my maiden speech just 23 years to the day after my predecessor, Elliot Morley, made his. What is more, 6 July appears to be a popular day for novice MPs from Scunthorpe—it was the day on which Michael Brown, who now scribbles so ably for *The Independent*, made his maiden speech. Elliot Morley served the constituency for nearly a quarter of a century as a respected, hard-working MP. He rightly gained a national and international reputation for his steadfast work on animal welfare and climate change. His record in helping to create a better world should not be lost in the wake of recent events.

I am the first MP for 80 years to represent the constituency after an adult lifetime of living and working in it. It is my adopted home town, and I love it. The first Labour MP for the area, David Quibell, was elected at the age of 50. He was born in Messingham, which still lies within the constituency boundary. A passionate early socialist who was active within the trade union movement and Independent Labour party, he, like me, knew the constituency inside out when he was elected in 1929 and took his place on the Labour Government Benches in an interlude between failing coalition Governments.

A contemporary of Quibell said:

"He was a revolutionary and a rough customer. If, at his meetings, anyone at the back interrupted, he would not think twice about getting down off the platform and thumping the interrupter."

You will be pleased to hear, Mr Deputy Speaker, that I do not plan to imitate Mr Quibell's style in that respect. My friends tell me that, if anything, I am too consensual in my approach. In that respect, I follow more in the footsteps of Ian Cawsey, who was the MP for Brigg and Goole until the election. Thanks to boundary changes, I inherited the village of Scawby from him. Ian demonstrated the power of cross-party working when he persuaded three other MPs—a Welsh Labour, a Scots Nat and a well spoken English Conservative—to join him in the band MP4. Out of those discordant political notes, musical harmony came forth, and I am told that their CD, "Cross Party", can be bought for just £10.99. It is still in stock in Oxford street's HMV, with all proceeds to Help for Heroes. I hope that hon. Members will not all rush off just yet.

I must also mention my friend, neighbour and mentor John Ellis, who represented Scunthorpe from 1974 to 1979. He does his level best to keep me on the straight and narrow, but has his work cut out, despairing from time to time at what he sees as my new Labour pragmatism.

The industrial garden town of Scunthorpe always surprises new visitors with its fine parks, green open spaces and magnificent floral displays. Its people are hard-working, neighbourly and welcoming. There is much to be proud of. It is home to the world-famous Corus steelworks, whose track record in producing high quality steel at competitive prices is second to none. There are vibrant businesses large and small, from the construction and logistics giant Clugstons to the organic farm shop, the Pink Pig, where you can buy, among other things, pink pigs—the soft, cuddly variety. All these businesses are witness to the innovation, hard work and enterprise of local people.

Scunthorpe boasts a Championship football team—up the Irons—and a rugby union team that achieved promotion to the national leagues this year, as well as a fine speedway outfit and a range of other great sports clubs. The area also has a vibrant arts, drama and musical community and is home to last year's BBC choir of the year, the Scunthorpe Junior Co-operative Choir. It has good schools and two high performing colleges, one of which, John Leggott, is renowned for the excellence of its education and which I have been privileged to lead as principal for the last four years.

In addition to those already mentioned, the constituency includes more fantastic towns and villages, Bottesford, Kirton, Redbourne, Hibaldstow, Gainsthorpe, Holme, Manton, Cadney and Howsham—all great places to live.

All of us, regardless of party or seniority, should have the humility to listen carefully to the people we seek to serve. The parties opposite are right when they say that Labour lost the election. We did, but let us be completely honest—no party won the election. Labour lost, the Conservatives lost and the Lib Dems lost. We all lost the election. Deals done behind closed doors put together the present ruling coalition, a coalition that—we were promised—would act in the national interest and be committed to protecting the vulnerable. Already, few believe that to be true. VAT destroyed that illusion. The hon. Member for Dundee East (Stewart Hosie) described the increase in VAT as "unforgivable" and has already mentioned the analysis of Save the Children. Only yesterday Flora Alexander of Save the Children said:

"VAT is a regressive tax, affecting those on low incomes disproportionately. The 2.5% increase will mean families living in poverty will be put under even more pressure."

Save the Children is calling for the poorest not to have to pay the price for the economic crisis.

Neither party opposite told the electorate, "Vote for us and we'll put up VAT to 20%, vote for us and we'll cut public spending by 25%, vote for us and we'll cancel Building Schools for the Future." My electorate in Scunthorpe was certainly not told this by my Conservative and Lib Dem opponents.

The argument that we need to cut fast and cut furiously, as if it were some virility test, does not have the support of the electorate. The electorate rejected this Conservative argument—which was well put by the Conservatives during the election—just two months ago, and instead supported proposals to tackle the deficit in a measured, proportionate way.

We should all have the humility to recognise that there is no mandate for the Budget proposals before us today, no mandate for fast and furious cuts and certainly no mandate for a huge rise in VAT or for the freezing of child benefit—measures at the heart of this unprincipled Government's approach. Both the Labour and Lib Dem parties made it clear—and the public agreed on 6 May—that the British economy is too fragile to bear these cuts without plunging us back into recession. That is why the electorate rejected the Tory offer at the polls. The public know full well that cuts in the public sector lead to job losses in the private sector. The public are not daft—they know that the private sector prospers when it is able to sell its goods and services. With Europe's economies contracting and the squeeze put on the UK economy, individuals and companies will stop spending and jobs will be lost in the private sector to add to job losses in the public sector. That is what the leaked Treasury papers said last week and that is what I fear—I hope that they and I am wrong. I would rather that the analysis of the right hon. Member for Wokingham (Mr Redwood) were correct, but I fear that it will prove to be false and flawed.

There is no justification for what is about to happen. The well respected economist, David Blanchflower, has said:

"Economic policy in the UK is being run by a bunch of ideological amateurs who are destined to fail, at enormous cost to the British people."

The so-called black hole in our finances is an invented story to camouflage the truth and to wriggle out of promises made to the electorate at the election. It is a story that I have heard before. I heard it on North Lincolnshire council when the Conservatives briefly took control and went on about a black hole in its finances. It was not true then and it is not true now. It is a story, a figment, a fantasy. It is something to con themselves with—I think that they have achieved that—and then con everybody else. It cuts no ice with me, nor with the people of Scunthorpe. While at present it might resonate with some people, it will reverberate in a most hollow way if this Budget ends up devastating people's lives. I sincerely hope that it does not, because there is no mandate for this and there is no need for this.

I urge all Members of this House to vote in line with the manifestos on which they were elected just two short months ago. I urge all Members of this House to

[Nic Dakin]

be true and faithful to their promises. I am immensely proud to have been chosen by the voters of Scunthorpe county constituency to represent them in this Parliament. I will carry out my duties in line with the promises that I made to them. To that end, I will vote against the measures in this Finance Bill and I call on all honourable Members to do the same.

7.38 pm

Ben Gummer (Ipswich) (Con): I should first of all pay tribute to the hon. Member for Scunthorpe (Nic Dakin), who showed in his maiden speech that he will be a robust defender of his constituents, even though—if I may say so—his grasp of accountancy as it pertains to the Finance Bill and the proposals of the coalition Government bears similarities to that of his predecessor in his seat.

This is a vital Finance Bill: it is one of the most important Bills to come before this House in decades. The reason for that—contrary to the speeches that we have heard from Labour Members so far—is that it puts right the unsustainable spending that has been the characteristic of Government in the past few years. Not only that, it takes the opportunity—which presents itself rarely to Governments—to reshape the nature of the relationships between the state, families, individuals and communities. Such opportunities are rare, and it is clear from the votes cast at the general election that that is a move that the country wishes to see, whether the votes were cast for one party in the coalition or the other.

Many Members have not yet grasped the fact that not to use this opportunity would be to condemn future generations to the poverty of opportunity that all of us in our work here wish to eradicate. I ask, therefore, that everyone support those measures in the Finance Bill—of which I, for one, believe there are a great many—that are beneficial to the economy. I am not saying that this is a new problem, nor one that has not presented itself to this country before. One of my esteemed predecessors as Member of Parliament for Ipswich was a gentleman called Nathaniel Bacon, who was elected to the 1660 restoration Parliament. At that point, the town had two Members—one a cavalier and one a roundhead, which is a good simile for the coalition now assembled on the Government Benches. In his treatise on government, which was well thumbed at the time—it is less so now, but I recommend it to all Members—he wrote that

"it befalls some Princes, as other men, to be sometimes poor in abundance, by riotous flooding treasure out in the lesser currants; and leaving the greater channels dry. This is an unsupportable evil, because it is destructive to the very being of affairs, whether for War or Peace."

That was true then, as it is true now, because the investment we need to make now to ensure that our economy, locally and nationally, grows in the years ahead is prejudiced and put at risk by precisely the irresponsible spending that we have seen. That is because by increasing the amount of money we have to put into the revenue account, we deny the money that we should put towards capital expenditure. That is what I would like to address in my first remarks to the Front-Bench team.

Ipswich and elsewhere, including other parts of the east of England, need greater investment in transport infrastructure, as my hon. Friend the Member for North East Cambridgeshire (Stephen Barclay) said. Without investment in the road and rail infrastructure serving Ipswich, the many opportunities that the town has cannot be fully realised. This is about opportunity. I am not talking about the global sums in the Budget, with which I heartily agree, but I do seek to press Ministers as far as possible to do all they can to bear down on revenue spending, so that as much as possible can be released within the budget in the years ahead for investment in infrastructure.

Both side of the House agree on opportunity—something that Ipswich has in abundance. It is a famous manufacturing town, and was the origin of many of the tools and much of the machinery that brought about the agrarian revolution. Since then it has become a significant service centre with a beautiful medieval centre that describes well the town's historical importance. Most importantly, it has a significant and important spirit to succeed. It is a quiet, East Anglian spirit, but it is a spirit none the less—and it is one that I experienced during my campaign to save the local hospital, which I conducted throughout my candidature and which I hope is about to come to fruition.

In that campaign I differed from my predecessor, Chris Mole, to whom I pay tribute for bravely giving the ground to me, as a candidate, and allowed me to debate these things robustly in public when many other opponents would have denied me that opportunity. That showed determination and an interest in the democratic process that is entirely to his credit. Neither was that his only contribution as a Member of Parliament for Ipswich. He made many such contributions to the people of that town. He was a Minister of the Crown, he served on many Select Committees and, most importantly in my mind, he sponsored the Legal Deposit Libraries Act 2003, which enforced the digital deposit of records in the British Library, giving the nation an endowment of which he should be justly proud.

I am proud of how, during the campaign, we both led constructive and robust campaigns in which we discussed issues openly, without ever digressing into unpleasantness. That quality is present in this coalition, which is why I support it so wholeheartedly. Frankly, the great majority of the public, who have little interest in the eccentric mechanics of politics that interest us so much, cannot understand why we are so obsessed with bickering among ourselves. Through the mere act of overcoming our differences in the coalition, we are finding common cause on the many things in which we have a far greater interest: narrowing the gap between rich and poor, the re-establishment of the free market economy and all the other things that we are doing in the coalition. We are doing those things through mature discussion, and already my constituents and others to whom I have spoken are thanking us for that.

I like to think that Ipswich gives us a considerable precedent for the sense of amity between our parties. Not only do we have a Liberal-Conservative coalition on the borough council that has achieved considerable success, but we had two of Gladstone's brothers as Members of Parliament in the 19th century. One of them, John Neilson Gladstone, was described by a biographer—I could not resist this—as follows:

"He took no strong independent line such as would anger his father but accepted his minor role in the scheme of things."

I can assure the House that on the former point it should have no fear whatsoever, and on the latter point,

I believe that all of us will succeed only if we show the independence and courage of our convictions—something that the coalition must show in abundance.

We have heard much over many previous years of the tough decisions that face us, but now is the time to take them, and no issue is more important, pressing or necessary than penal reform. The Secretary of State for Justice, my right hon. and learned Friend the Member for Rushcliffe (Mr Clarke) outlined brilliantly and bravely last week a vision for sentencing and for the prison system that I, and many on both sides of the House, would wish to endorse.

Yet to achieve that, we need to find common cause on two things: the first is on the budget for the Ministry of Justice and prisons. It goes without saying that it is clearly a gross and offensive waste of public money to be warehousing prisoners in buildings of little utility save for the security they afford the public in incarcerating criminals, which in the end produce men and women who come out with a staggeringly low possibility of finding a job, succeeding in a relationship, building a family or contributing to society, and a staggeringly high probability—the highest in Europe—of going on to reoffend and contribute once again to the crime rate.

Opponents of reform must consider carefully whether it is right to continue with a system in which half of prisoners cannot read at the level expected of an 11-year-old, 65% cannot count at that level, and 82% cannot write at that level. I do not understand how they can possibly contribute to their communities, build relationships and sustain their families with that level of underachievement. Future generations will look upon our treatment of prisoners in much the same way as we now look upon how the Victorians established workhouses—as a near barbaric mechanism to deal quietly with one of society's problems without facing up to the real issues that it presents.

We can, I hope, overcome that problem in two ways. The first is to protect in the Ministry of Justice's budget the excellent plans, which we on the Conservative Benches have had for some years, for the complete restructuring of the prison estate. Hon. Members might wish to know that 16 prisons in the prison estate predate the reign of Queen Victoria, and there are many others that were built in her reign. Those prisons are not only completely unsuitable for rehabilitation, but consume massive amounts of manpower, which reinforces my earlier point about the unnecessary waste of money that goes on revenue spending, rather than on capital expenditure, which actually produces results.

The second thing that I would ask of hon. Members—and of the media—is to accept that it would be a good thing if we were to enjoy the kind of consensus that I have praised in the coalition, on the matter of penal reform across the House. Too often the sentiments expressed by the Secretary of State for Justice last week have been uttered by Members in all parts of the House, but they have fallen prey—because they are perennially vulnerable—to cheap political point scoring of a short-termist nature, which has done us enormous damage. I hope that those who wish to oppose the reforms that are necessary understand that to do so would be to condemn families, victims, perpetrators and communities to the repeated misery that we now have a golden opportunity to prise ourselves away from.

A maiden speech is a privileged opportunity to outline some of the issues that interest a new Member. It is a greater privilege, needless to say, to represent our constituents—in my case, the people of Ipswich. Almost all new Members come to this House lauding their new constituency, professing an ardour that I would not wish to impugn. All I would say is that I cannot claim to be Ipswich born, even though it is my local town and has been all my life, but I can increasingly claim to be Ipswich bred. It is a town that I have come not only to respect but to love. It is the most profound honour to serve the people of Ipswich, who put their trust in me in the election that we have just had. I shall do all I can in the coming years to repay that trust, and help us all to realise the considerable opportunities that lie—tantalisingly—ahead of us.

7.52 pm

Mr Michael Meacher (Oldham West and Royton) (Lab): I pay tribute to the three maiden speakers whom we have just listened to: the hon. Members for Ipswich (Ben Gummer) and for North East Cambridgeshire (Stephen Barclay) and my hon. Friend the Member for Scunthorpe (Nic Dakin). I am always struck by how confident, forthright, quite often amusing and, on occasion, even inspiring maiden speakers are. I am sure that we shall hear a great deal more from them all. I also noticed that they all touched on issues of policy. When I first came to the House, it was a custom that maiden speakers talked about their constituencies and their predecessors, but skirted round any question of policy. I am pleased that that rule is obviously now more honoured in the breach, and I hope that we shall hear much more about policy from all the maiden speakers whom we have heard this evening.

On the Finance Bill, let me start by agreeing with what I can—this part of my speech will be very short. I agree that the deficit is too large and that it needs to be reduced. On every other issue—the size of the cuts, their composition, their impact on growth, the balance between tax increases and spending cuts, and the whole question of fairness—I think that the Budget judgment, as expressed in the Finance Bill, is fundamentally and manifestly wrong.

First of all, as some of my hon. Friends have also said, the Chancellor made great play of the idea that his Budget to eliminate the structural deficit within five years was unavoidable. That is absurd. Balanced budgets are the primitive 1920s economics of Montagu Norman in this country and Herbert Hoover in the United States, and in both countries they led directly to the great depression. Capitalism is driven by cyclical forces that need constant regulation, not balanced budgets irrespective of the economic cycle. The truth is that the Chancellor has gone overboard on austerity. The cuts are as tough as those that the IMF is imposing on Greece, which is on the verge of bankruptcy, which we certainly are not. They are also twice as tough as the Canadian measures that the Chancellor has repeatedly prayed in aid to justify what he is doing, three times as tough as Sweden's measures in the mid-1990s and much tougher even than the IMF measures in 1976.

Then there is the question of how the deficit should be reduced—as I have said, no one disagrees that it needs to be. There are three ways of reducing the deficit: not only through tax increases or spending cuts, but through economic growth as well. Before the Budget, the OBR estimated that UK growth this year and over the succeeding four years would be slightly less than

[Mr Michael Meacher]

2.5% on average. As each 1% of growth adds an annual £15 billion to UK income, the OBR forward projections of economic growth imply an increase in UK income over the next five-year period—the perspective of the Bill—of between £150 billion and £180 billion.

Because all Governments take roughly 40% of any increase in UK income, those figures imply an increase of revenues to the Government of around £70 billion to £75 billion over this five-year period. That would be enough virtually to halve the current budget deficit over that period, which hugely reduces the need for spending cuts. I do not say that I am against spending cuts totally. Indeed, when it comes to Trident, ID cards and some of the extraordinarily wasteful Government IT databases, there is plenty of room for cuts. However, the figures that I have quoted raise starkly the question of whether the Chancellor's enormous spending cuts will squash out the growth-generating potential of the economy—something that, frankly, would make the cuts simply counter-productive.

Indeed, those figures also raise the central issue, which had something of an airing between those on the Front Benches in the earlier debate, of where the Chancellor expects the growth to come from over the next few years. Household consumption, which accounts for two thirds of national output, is now almost certain to fall, particularly with the increase in VAT. Any growth in wages after inflation is already weak and is likely to weaken further as unemployment rises, which it will. According to all surveys, consumer confidence is fading, while some 60% of UK exports go to the eurozone, which as we all know is in considerable disarray. So where exactly is the growth going to come from?

I give the right hon. Member for Wokingham (Mr Redwood) credit for being the one Government Back Bencher who tries to make a case for the Budget, but he seems to have forgotten the prime rule of computer projections, which is: garbage in, garbage out. If we feed in dodgy premises, we get out dodgy conclusions. Government Members keep quoting the OBR as though it is independent—I do not think that Sir Alan Budd is actually independent, and the OBR is next to the Treasury, so it is not exactly independent—but that is not the point. The key point is that the OBR projections are based on certain premises that are—I say this without exaggeration—fantasy.

Richard Graham (Gloucester) (Con): Given the strength of the right hon. Gentleman's views on the neo-Keynesian economics that effectively advocate keeping on spending because that is the only way to grow the economy, what does he think of the performance of the Irish economy? In 2009, Ireland managed to reduce state spending by 7% as a result of stringent measures involving public spending and public sector salaries, yet, in the first three months of this year, its economy grew by almost 3%. Does that not demonstrate to him and to other Labour Members that it is a false assumption to say that reducing public sector pay will shrink the economy, and that cutting back can in fact provide an opportunity for the private sector to grow again?

Mr Meacher: The opposite conclusion should be drawn from the Irish economy. The Irish Government made huge, swingeing cuts of 12% to 15%, which absolutely decimated that economy. Sooner or later, of course there will be a revival in all economies, but at a fearful cost. We shall very much be going down the route of the Irish economy if this Budget goes through. If the hon. Gentleman were to go to the Republic of Ireland and ask people's view of the finance budget of three or four years ago, I think that he would get a very different impression.

Helen Goodman: I support my right hon. Friend's interpretation of what has been going on in Ireland. The construction industry has been completely destroyed, and there are empty shells of houses all around the countryside. Unemployment is sky high and, for the first time in many decades, people are emigrating from the Republic.

Mr Meacher: My hon. Friend helpfully assists my argument.

I want to be fair and point out the Government's proposals on corporation tax and the small companies tax to get firms investing, as well as the national insurance cuts for firms outside the south-east to aid new hiring. That is all very welcome, but those measures will be more than cancelled out by the additional Tory spending cuts of £32 billion a year by 2014-15, and the additional £8 billion in tax increases. Let us take a highly topical example. It has been pointed out that the construction industry gets 40% of its work from public sector contracts. The 700 cutbacks in the schools building programme announced yesterday, and the nadir in house building, which is now at its lowest ebb since 1923, will almost certainly cost tens of thousands, if not hundreds of thousands, of building workers their jobs over the five-year period.

I shall give the House another example. According to the Treasury Red Book, the OBR forecast for public sector net investment is that it will be flattened from its current level of about £49 billion to just £21 billion in 2014-15. That is a staggering drop. It is not just a marginal change or a change in direction but a staggering reduction. So I repeat, where is the growth going to come from, especially as the banks are not lending? The Bank of England reported a fortnight ago that the flow of net lending to UK businesses was still negative. In other words, people are repaying money to the banks, rather than the banks handing out money to businesses. That compares with the situation in the first half of 2007, when there was annual growth of 20% in the relevant M4 figures for banks lending to businesses.

The great fallacy of the Bill—the fantasy black hole at the centre of the Budget—is that as the devastating public spending cuts take effect, the private sector will expand its hiring and investing to compensate. That is the Government's argument, but the premise is completely indefensible. Why should the private sector do that? The only reason that private businesses invest is because they see the possibility of profitability and expansion, but where will that come from when consumption is falling, when the banks are not lending and when export markets are fading? Where is the growth to come from? All the coming misery is allegedly unavoidable because there is a crisis in the bond market, which there is not, and because the UK is supposedly like Greece, which it certainly is not.

Many of my colleagues have pointed out the real risk involved in this deficit-cutting fixation to shrink the state. Let us make no mistake, this cannot be justified economically; it has ideological motive. That is the fundamental bottom line in assessing this Budget. It will impale Britain on a very low growth path for years ahead, with rising joblessness and stagnant gross domestic product, even if the country does avoid a double-dip recession, although the Lord Chancellor and Secretary of State for Justice admitted the other day with typical frankness that that remains an open possibility.

Even in the Chancellor's own framework for the Budget, there remains the question of striking a balance between tax increases and spending cuts. The Chancellor chose an 80:20 ratio, but that is far more heavily weighted against public spending than in previous economic episodes of this kind, including under previous Tory Governments, such as that of the early 1990s. Poorer households will unquestionably be the main victims of the spending cuts, and even the tax increases—notably VAT—will of course impact most harshly on the poorer half of the population. This is anything but a fair Budget.

Even the two new taxes that impact directly on the rich will have little effect on them. The £2.5 billion bank levy will mainly be offset. There has been no mention of this, but it is fixed at the very low rate of 0.07% of eligible liabilities. One could hardly find a tax rate lower than that. One can be sure that it will be largely avoided through balance sheet adjustments away from short-term wholesale funding, together with other devices such as group restructuring and de-leveraging.

The second tax change that will affect the rich is the increase in capital gains tax to 28%, but that still takes it only halfway to parity with higher rate income tax, which is where it ought to be, and where Nigel Lawson—Nigel Lawson!—left it in the 1980s. The change will still allow people with very high incomes to dress up their income as capital gains so as to halve the tax that would otherwise be payable. The idea that the rich are making an equivalent sacrifice and—to use the mantra that I think will come back to haunt the Government—that we are all in it together is nothing more than a sick joke.

Martin Horwood (Cheltenham) (LD): I have some sympathy with what the right hon. Gentleman is saying, because the Liberal Democrats were also inclined to support a higher rate of CGT. But does he still support that proposal, given the evidence that it would raise less income and thereby impose harsher penalties on the public sector than if it were left at 28%?

Mr Meacher: I have never believed what some Laffer economists say, which is that increasing taxes on the rich results in a reduction in the net income. I believe that that is based on a false premise.

The Economic Secretary to the Treasury (Justine Greening): Can the right hon. Gentleman explain why his Government failed to narrow the gap between rich and poor?

Mr Meacher: I regret that the Labour Government did not succeed in narrowing the gap between rich and poor. However, they did something quite remarkable in reducing the number of children in poverty by 600,000. No, it was not enough, and we fell below our target. I can tell the hon. Lady why the gap widened, however. To cite a phrase that was used early on in the Labour Government, new Labour took the attitude that it was fairly unconcerned about people becoming filthy rich. That was a serious mistake, and the increase in the wealth of the tiny top segment of the population has been enormous. That is the reason that the gap increased.

Charlie Elphicke: I am interested to hear the right hon. Gentleman raise the issue of child poverty. Can he explain why in the last Parliament it went up by 300,000 on every single measure?

Mr Meacher: Indeed. The hon. Gentleman is wrong on the figure; the last figure available for when Labour were still in government suggested an increase of about 100,000. That, of course, was the result of a recession caused by the bankers. The Labour party protected the poor and the unemployed to a significant degree, as those groups are about to find out from the very different treatment meted out to them by this Government.

Kate Green: I have no idea what statistics the hon. Member for Dover (Charlie Elphicke) is looking at. Over the period Labour were in power, between 1997 and 2010, child poverty fell by 500,000 on every measure. While it is true that it rose in one or two years, it still finished significantly lower than it had been at the beginning of the first Labour Government's term.

Mr Meacher: I think I must move on—and we must move on—from debating poverty between the parties. Since I have the privilege of speaking, however, I have the last word. The fact is that the Thatcher Government tripled poverty to more than 3 million over the period between the early 1980s and the end of the 1990s; Labour reduced that significantly, but did not, in my view, do as much as it could have done to reduce the enormous gains of the wealthy.

As always, it is the dog that did not bark in the night to which we should give most attention. There is nothing in the Bill about a financial activities tax on financial speculation, which is a domestic version of the Tobin tax. Considering that the banks' recklessness was a major contributor to the crash, that would have a significant reforming potential as well as being a major revenue earner. There is nothing for a really tough crackdown on tax avoidance, which is still estimated to cost the Exchequer some £25 billion a year, nor is any action being taken on the indefensible non-dom loophole. Nor is there any reference to a wealth tax, which might have seemed reasonable when, according to *The Sunday Times* rich list—not a trendy-lefty organisation—the top 1,000 richest multimillionaires, a minuscule proportion of the population, have nearly quadrupled their wealth over the last decade and a half by no less than £335 billion. This was all in *The Sunday Times* rich list two or three months ago. In the last year alone, their wealth increased by £77 billion. The fact that they are not being required to make any significant sacrifice at all, when everyone else is—

Andrew Bridgen: Will the right hon. Gentleman give way?

Mr Meacher: No, time is going on and I want to conclude.

[Mr Meacher]

The fact that those people make no sacrifice while everyone else is being hit extremely hard makes an utter mockery of any idea of fairness in the Budget. This is not an honest Budget or an honest Bill. It was born of an ideological fixation to shrink the state well below 40%. The facts and arguments have been massaged to fit around this preconceived idea, and the methods used—draconian cuts to produce a balanced Budget—remain a throwback to the reactionary and ultimately disastrous economics of the 1930s. It will fail, but the risk is that it will drag down Britain with it.

8.14 pm

Graham Evans (Weaver Vale) (Con): I am grateful for this opportunity to make my maiden speech, and I offer you my belated congratulations on your new appointment, Mr Deputy Speaker.

Despite not being the first Member to represent Weaver Vale, I am the first ever to give a maiden speech. My predecessor, Mike Hall, had already given his maiden speech as the Member for Warrington, South five years before this constituency was created in 1997. Although it is conventional to pay tribute to one's predecessor in a maiden speech, Mike, who was never one for convention, said of his Conservative predecessor for Warrington South, Chris Butler, after what must have been a particularly bitterly fought contest, that

"it would be hypocritical of me to pass favourable comments on Mr. Butler."—[*Official Report*, 6 May 1992; Vol. 207, c. 123.]

However, during my three years as a candidate trying my best to unseat Mike Hall, he was always extremely courteous to me, and I do not believe it would be hypocritical of me to pay tribute to the work that he did for the constituency. Although perhaps not the most high-profile of Members here in Westminster, he was highly regarded as a hard-working constituency MP for Weaver Vale. We shared similar interests in football and military history. Despite the views of his Labour colleagues on Halton council, we were in wholehearted agreement in our opposition to wind turbines being built on Frodsham marshes, as well as to the numerous incinerator applications across Cheshire. I was sorry to learn that Mike was forced to stand down owing to ill health and I wish him and his wife Lesley a long and happy retirement.

Weaver Vale is a rather unusual constituency in both its shape and character. Thanks to its ambiguous name, many Members have expressed a little confusion as to its whereabouts. The seat is located in the heart of Cheshire, focused around the River Weaver, a tributary of the River Mersey. It stretches from Northwich in the south-east to Runcorn in the north-west. It is a source of considerable pride that, on this side of the House, I am the sole representative on the Mersey estuary, although I am delighted that the right hon. Member for Birkenhead (Mr Field) is to be working with the coalition.

Weaver Vale has an impressive and proud industrial history. Northwich, the largest town, is based on salt mining, which started in pre-Roman times. Imperial Chemical Industries was started in Northwich and one of its founders, Sir John Brunner, was a former Member of Parliament for the area. While ICI may be no more, Brunner Mond is still based in Northwich, and the chemical industry is still going strong in Runcorn, as well.

While traditional heavy industry is very much part of the landscape in the constituency, we have the added benefit of a wide range of high-tech industries at Daresbury, including robotics and nanotechnology. Indeed, Global BioDiagnostics has just announced that it will be moving its research and development to Daresbury, making it the home of the global fight against tuberculosis. The laboratory and the science and innovation campus are at the cutting-edge of science, as well as an essential provider of local jobs.

I firmly believe that these genuinely wealth-creating industries, both old and new, are going to be instrumental in leading the recovery. With this in mind, I am delighted to be giving my maiden speech in this debate on the Finance Bill, following the emergency Budget which has already helped to restore considerable market confidence with the message that Britain is open for business again. In particular, the plans for a regional growth fund and the substantial reduction in employer national insurance contributions in targeted areas demonstrate that this Bill is good news for industry and for the north of England.

Besides its industry, Weaver Vale has some of the most beautiful countryside and picturesque villages anywhere in the country—villages such as Crowton, Acton Bridge, Kingsley, Norley and Manley. Most distinctive of all is Helsby Hill and the surrounding settlements of Helsby and Frodsham. However, Weaver Vale is also a seat of sharp contrasts. Besides vibrant enterprise and leafy villages, there are areas of severe deprivation. Within Runcorn alone, the disparity is breathtaking. In the Windmill Hill area, only 8.1% of pupils achieve 5 GCSEs including maths and English. Those pupils can expect to live for nearly 10 years less and to earn an average of £30,000 a year less than my constituents who live in the more prosperous parts of Runcorn.

The gap would be even wider if Windmill Hill were compared with some of the prosperous commuter villages such as Hartford or Kingsmead. After 13 years of a Labour Government, this is quite simply a disgrace and should act as a constant reminder to those on the Labour Benches, who have already begun looking back on their time in government as some sort of golden age in which poverty and inequality were abolished. Sadly, the truth is that, under Labour, the poor got poorer while the debt grew bigger. Labour Members will almost certainly be spending the next few years in hysterical opposition, attacking the Government for fixing the mess they created, completely oblivious to the reality that we cannot help the most vulnerable in society by basing the economy on debt. Without wealth creation, we cannot achieve the social justice that we all want.

Before I finish, I would like briefly to express my thanks to my constituents, who have sent me here to represent them. It is the greatest honour and privilege of my life to serve the people of Cheshire. It has been quite a long and personal journey here, as well. I was born on a council estate in Cheshire, as the youngest of four children. My father was a wages clerk, but he died when I was young, and my mother worked in a series of local shops and pubs to make ends meet. I left my local comprehensive school with few qualifications and got a job stacking shelves at the local supermarket, but I was fortunate to have the chance to study business at night school, and went on to have a successful manufacturing

career working in sales. I should like to think that I was one of those slick salesmen whom the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown) liked to attack on such a regular basis in the last Parliament.

I have always enjoyed serving my local community, spending four years as a special constable in the Cheshire police and 10 years as a local councillor. I have no idea how long I will serve in the House—that will be up to the people of Weaver Vale—but I hope that if I am to leave this place sooner rather than later, I will be able to help, in a small way, to put the "great" back into Great Britain. In that vein, I commend the Bill to the House.

8.20 pm

Mr David Lammy (Tottenham) (Lab): Let me begin by congratulating the new hon. Member for Weaver Vale (Graham Evans) and expressing some solidarity with him, given what he said about his background and experience of growing up on a council estate. I am sure that his constituents will be very well served by the effective way in which he makes his remarks.

In a few days it will be my birthday, and as I inch towards the fourth decade of my life, it occurs to me that the economic downturn that we are experiencing now is also my fourth. The truth is that I do not remember the first recessionary period in the early 1970s, but I have strong memories of the recessions of the early 1980s and early 1990s. I think back to what it was like growing up poor and black in my present constituency in Tottenham, and the hardship experienced by my family and many others at the time. I remember my father losing his business in the early 1980s, and the depression and the booze that followed.

Children do not always quite understand these things as they are growing up, but I remember, in about 1982 or 1983, coming to understand that there was far less money in the home. The fridge seemed much less full, and—although I do not want to suggest that my parents were not generous—the presents at Christmas were not what we might have seen in the commercials on television, and not what we might have liked. I think that the VAT rise had something to do with it. Although Margaret Thatcher had said that she would not change the rate before the election, she raised it from 8% to 15%. I also vividly recall the freezing of child benefit for successive years, and how hard that was for my mother. More than anything, however, I remember the restlessness, the fecklessness and the worklessness of the broader community and the explosion of violence that we experienced in my community as a direct result of that, leading to some of the worst images that this country has ever seen or experienced.

Richard Graham: Does the right hon. Gentleman agree that, in that context, it is particularly regrettable that the Government of the last 13 years left us with more than 1 million unemployed young people—an absolute record?

Mr Lammy: Unemployment at that time in my constituency was running at 20%, and in some communities, particularly the black community, the rate was double that. It is because of the situation then that young people like me, growing up in constituencies like Tottenham, forged such a huge solidarity with colleagues and friends in different parts of the country. Although those areas seemed very different from Tottenham, the assault on manufacturing industry and the attitude to former mining and steelworking towns led us to forge a solidarity that remains on these Benches today.

In the 1990s I qualified as a young lawyer, but I did not go straight into employment because, yet again, the country was in recession and the employment was not there. I went to the local unemployment benefit office hoping that I might become a barrister, but not sure whether that would actually happen. My mother was now struggling on her own with a 15% interest rate, and the shops up and down Tottenham high road were boarded up because of bankruptcy. That was the backdrop in the 1990s. We experienced two recessions that had huge social consequences—social consequences that I deeply fear could be repeated as a result of this Finance Bill.

Richard Graham: The right hon. Gentleman is very generous in giving way. Given his experience in the early 1990s, is it not an absolute tragedy that he was part of a Government who, having promised to abolish boom and bust, landed us with the largest recession not just in his lifetime, but in the lifetimes of three generations?

Mr Lammy: The hon. Gentleman paints a fantasy picture of history, and takes the banks out of context. I will return to that in a few moments.

Phil Wilson: I agree with 100% of what my right hon. Friend is saying. Back in the 1990s, 11% of young people were out of work; in the 1980s, the figure was 12%. As a proportion of the work force, the unemployment rate was much higher than it is now, and 40% of those people had been out of work for 12 months or more. That figure too is much higher than the figure today. In my own constituency the unemployment is just over 1,000, but at the height of the recessions in the 1980s it was 5,500. The main reason for the difference between what we have experienced over the last year and what we experienced then is what the Labour Government did to ensure that ordinary people up and down the country did not suffer.

Mr Lammy: My hon. Friend is absolutely right. That is why Members on the Government Benches should be reminded that employment in my constituency was running at 20% in the recession of the 1980s and at 28% shortly before we cane to power in 1997, and that although my constituency now has the highest unemployment rate in London, it is currently running at 9%. I say "currently" because it will surely rise as a result of this Finance Bill. The consequences—the social consequences—of what we are debating today, and what we will vote on in a few hours' time, will be so significant that it is hard to put words to them, but they will be real and stark.

Andrew Bridgen: The right hon. Gentleman is speaking passionately about his opposition to unemployment. Surely he must be ashamed to be a member of a party that has formed Governments many times over the past 70 years and that, every time it has left office, has left unemployment higher than when it came to office.

Hon. Members: It is not higher.

Mr Lammy: That is patent nonsense, which is why so many hon. Members are shouting from a sedentary position.

What we see in the Bill is absolutely ideological. It is not the first time that the House has debated such ideological decisions, which have huge social consequences for people a long way from Westminster. On one side, we have an orthodoxy, a Conservative position, that says that we must reduce deficits at all costs, despite the social consequences. Behind that there is a desire to reduce the state and welfare at the same time. On the other side, consistently, over generations, we have progressive parties, and at the centre of those is the Labour party, which understands that the private and public sectors are co-dependent. They rely on each other.

There are times during difficult recessionary periods when the public sector must borrow to ensure growth. That is why I am hugely proud of the future jobs fund. That was a classic example of our Government borrowing £1 billion to create jobs and to ensure that the social plight that constituencies such as mine have seen in the past did not come to pass again. What an outrage. What a shame. How can hon. Members look at the young people of Tottenham, who now do not have that scheme and who will join the unemployment queues as a result of yet another catastrophic decision? We on the Labour Benches remember the failed youth training scheme, a joke scheme that was not really about jobs; it was about gerrymandering the figures, which started to look so bleak in the depths of unemployment in the 1980s and 1990s.

Mr Kevan Jones: Does my right hon. Friend agree that the VAT increases that are in the Budget will make it worse for the poorest in his constituency—not only the unemployed but those on low pay and on limited incomes?

Mr Lammy: My hon. Friend is absolutely right. In the midst of a growth in unemployment, which has been predicted by the OBR, there is a VAT rise that will affect the poorest families.

In debating the Budget, we have to defend the hope and prospect that there is a different economic way. That is articulated not just by the usual suspects—economists such as David Blanchflower have been mentioned in the debate—but Martin Wolf in the *Financial Times*, Samuel Brittan and George Joseph Stigler. A number of economists are saying that this is the time for fiscal stimulus, for an FDR-type new deal, for an LBJ-type offer. This is the time for that big society that they dreamed about.

When this country lay in rubble after the second world war, we did not shrink back. The Attlee Government invested. We built the NHS, we built housing, we built schools. That is the example that we should be following. Instead we get this false smoke-and-mirrors game.

Charlie Elphicke *rose—*

Mr Lammy: I will not give way at this moment.

Politically one has to applaud, in some senses, the Government for the way in which they have changed the debate that was about fiscal stimulus, support, opportunity and hope, despite these difficult times. The country had a focus on the banking sector in this country, in particular, but that has been turned into solely a debate about deficits; that is the only discussion taking place. I say, as a Labour Member who is proud of my party's tradition, that the discussion had not solely been about the recovery; it had also been about what had led us to this position. That was a discussion about materialism, consumerism and excess, but all we hear now is this emphasis on cuts, cuts, cuts and deficits. The Government are wrong, as was made clear in the G20 meeting and the letter that President Obama wrote shortly before it. They have taken the wrong position for ideological reasons, which will have grave social consequences.

The Government have said that this Budget is unavoidable, but of course it is not, for the reasons that I have set out. It is not unavoidable, because the previous Budget, in March, made it clear that we intended to cut the deficit over the next Parliament in a measured way. This Budget is not progressive. How can one describe a Budget that means that unemployment will rise and growth will shrink as "progressive"? This is a total twisting of the word "progressive". We have a dictionary on the table in front of the Economic Secretary, so I invite her to pick it up and look at what "progressive" means. It certainly does not mean what is in this Budget. This Budget is not fair to many people beyond this place.

Martin Horwood: Does the right hon. Gentleman think that taking nearly 1 million people out of income tax altogether, a measure of which the Liberal Democrats are immensely proud, is progressive or not?

Mr Lammy: The hon. Gentleman knows that this is robbing Peter to pay Paul—I am sure that his mother said that to him. One cannot give to people on the one hand and take a damn sight more in VAT on the other, and he knows it. I am talking about people such as the Uddin family, who live on the Broadwater Farm estate in my constituency. I am grateful to the TreeHouse charity for asking me to spend a Friday afternoon with a family in my constituency, dealing with the issue of autism. Because of the context of this Budget and the Finance Bill that flows from it, I was, of course, examining the wider issues that surround this family.

It was privilege to go to the Broadwater Farm estate, which I have known all my life, as I grew up and spent many years there. It was a privilege to go up the stairwell to the 15th floor to spend time with the Uddin family. In that two-bedroom flat was Mr Uddin and his wife, a family of five children and a niece. There were eight of them in this flat surviving on income support of £322 a week and struggling with a five-year-old autistic child. I was the bearer of bad news, because I had to explain to them that Mr Uddin, who cannot work as a result of an injury at work—he was a chef in an Indian restaurant and he had a serious back injury—would face a new medical test in order to get the disability living allowance that made up that £322. I had to explain to them that once again—I recalled this from my own background—their child benefit would be frozen. I had to explain to them that the price of living would go up because extra VAT would be whacked on their household goods and items such as school uniforms. I had to explain to them that the toddler element of the child tax credit and the element for their new five-week-old baby had been taken away. That was worth £1,000

to many families across the country. The Uddin family would be experiencing huge hardship as a consequence of this Budget.

It gets worse. What the Uddin family would dearly love of course is better housing. The prospect of better housing in London as a consequence of this Budget is dark indeed. That brings me on to the real test of what is progressive and what is fair. The cap on housing benefit will have the most pernicious effect in this city. Rents in London boroughs such as Islington, Camden and Westminster can run into the many hundreds of pounds, so there will inevitably be an exodus from zones 1 and 2 to zone 3. My constituency already has 20,000 on the housing list, more than 3,000 in temporary accommodation and, as I speak, more than 800 in emergency accommodation. It will become even more crowded. There will be no prospect of the Uddins moving anywhere, particularly when, as we would expect, Conservative local authorities in London continue to refuse to build. Guess what? Westminster council built just 200 affordable homes in the last year for which there are records. The Royal Borough of Kensington and Chelsea built just 100; Richmond built 127; Wandsworth just over 300. That is the record on affordable housing. It is very bleak indeed. The Mayor has made not one representation on the housing consequences of this Budget.

Gavin Shuker (Luton South) (Lab/Co-op): Does my right hon. Friend agree that beyond metropolitan areas such as London the Government's decision to take away the regional spatial strategies that allowed councils to work together to deliver affordable housing will have a profound effect on the way in which we manage the problem of affordable housing?

Mr Deputy Speaker: Order. That was wide of the mark. May I ask hon. Members from time to time at least to mention things contained in the Finance Bill.

Mr Lammy: My hon. Friend makes a good point, which I hope he will have an opportunity to develop later. I want to make it clear that, as a result of the housing benefit cap, there will be an exodus from zone 1 to zones 3 and 4 and areas such as mine. I predict as a consequence something similar to what we see in Paris—suburbs that are most often brown, black and other ethnic minority in complexion and are crowded, cramped and dangerous. The decisions made in the Finance Bill will lead to social unrest.

Liberal Democrat colleagues in London, especially the hon. Members for Hornsey and Wood Green (Lynne Featherstone), for Brent Central (Sarah Teather) and for Bermondsey and Old Southwark (Simon Hughes) should hang their heads in shame if they vote for the Bill tonight. Working people voted for them on the basis of the platform on which they stood. They know that people will suffer as a consequence because benefits will be cut and housing benefit will be capped. People who voted for them in good conscience will suffer.

Mr Deputy Speaker: Has the hon. Member finished his speech?

Mr Lammy: No. I am giving way.

Martin Horwood: I am sure that if my hon. Friend the Member for Hornsey and Wood Green (Lynne Featherstone), who is being attacked in her absence, were here to defend herself, she would do a very good job of it. Does the hon. Gentleman accept that one of the consequences of very high housing benefit payments in central London has been, in effect, to line the pockets of private landlords with public money? Even if he does not accept the solution presented in this Budget and Finance Bill, does he not think that something needs to be done to address the problem?

Mr Lammy: I commend the hon. Gentleman for his defence of his hon. Friend, who, let us face it, is having a bad few days. This is not the moment to say that the private sector should step in. What are the chances of one of my constituents wanting to go into the private sector, as many of us have encouraged our constituents to do, given the uncertainty about what will happen to their housing benefit? None. The people who are in social housing will stay there, despite conditions such as those that I have described.

This is the time to walk the walk, I say to the Liberal Democrats. This is the time to demonstrate compassion, care and empathy—to walk alongside those who are poorest in our community. That is test of whether this is an effective Finance Bill, and it does not meet that standard.

Mr Kevan Jones: It will not only be private sector tenants who are affected. If a cap is introduced either in London or in my North Durham constituency and that cap is less than the current social market rent, the gap will have to be filled by the tenant. Some will be unable to afford it, and they will either be evicted or have to move out.

Mr Lammy: My hon. Friend is absolutely right. There will be a significant increase in evictions as a result of the housing benefit measures. Many Members will remember London in the 1980s and the early '90s. We remember what it was like walking under Waterloo bridge—sometimes it seemed as though whole families were living there, homeless. We remember the stories of "cardboard city". That is what we remember, and that is what we will see again as a result of this Bill.

To say it is fair if a Bill places a £2 billion levy on the banks but imposes on hard-working people cuts and VAT rises that combined in total come to £24 billion is to treat people like fools. Of course it is not fair. How could it possibly be fair? That is why I repeat that Members who know a lot better and who have relied on the votes of those hard-working people should be ashamed of voting for this Finance Bill. I urge them, in the time left as we continue to debate the Bill, to hear those voices in this place and beyond that say that this moment, as tough as it is for our economy, can be a moment of hope, can be a moment of growth and can be a moment of fiscal stimulus. I urge those Members not to line up alongside the ideological orthodoxy that always sees the opportunity not just to cut a deficit but to cut the state and to cut welfare, but to say once again, as we have in progressive moments in the past: no, we can act differently. I am proud and very lucky to stand here having grown up in a constituency such as mine was in the past, but there are many young men and women who faced years

[Mr Lammy]

of unemployment and many who, sadly, spent too many years serving at Her Majesty's pleasure, as a direct consequence of decisions that were made about our economy at that time.

8.49 pm

Jacob Rees-Mogg (North East Somerset) (Con): May I begin by congratulating hon. Members on a series of excellent maiden speeches? My hon. Friend the Member for Weaver Vale (Graham Evans) spoke. I did not know that area of the country at all before he did so, and I feel much better informed as to its great beauties. The hon. Member for Scunthorpe (Nic Dakin) told the House, to its considerable relief, that he is not going to be a pugilist, as one of his predecessors once was, so I am glad to note that, if he disagrees with my speech, I may not end up with a broken nose—*[Interruption.]* I could not quite catch that, and I expect the *Hansard* reporters could not, either. My hon. Friend the Member for Ipswich (Ben Gummer), as Edmund Burke said of Pitt the Younger, is not so much a chip off the old block, as the old block itself. And finally, my hon. Friend the Member for North East Cambridgeshire (Stephen Barclay) told us that he was—on the internet, under the same name—a cabaret artist. I may be rare in the country at large, but in this House probably not, in that I much prefer a political speech to a cabaret artist, so I am very glad that we had the wrong website for him.

Let me come to the matter at hand, the Second Reading of this incredibly important Finance Bill. It is, like the one in 1981, of considerable controversy but great importance. We have heard at length, but interestingly, from Opposition Members that, actually, this is not a serious circumstance, and that, if we pay off the debt, though a bit too high, in dribs and drabs, all will be well. Sadly, that just is not correct. The deficit that we have faced has reached levels that in peacetime we have never had, and a key factor about the funding of the deficit last year has been missed. It was that almost all the gilts that were issued were bought by the Bank of England under its programme of quantitative easing. That programme has now stopped.

Even with this Finance Bill, we face an increase in the amount that the Government need to raise from £40 billion to £160 billion, and if we had stuck to the Opposition's proposals it would have been higher still. Where does that money come from? Who is willing to give this country £160 billion? As it is collected, who finds it harder to borrow? The answer is the very businesses that Opposition Members say find it difficult to make investment decisions. If we borrow and borrow, and the Government use up all the money, we force up interest rates for mortgage holders and squeeze out the investment that private companies need to make.

Helen Goodman: Will the hon. Gentleman give way?

Jacob Rees-Mogg: It will be an honour to give way.

Helen Goodman: I am trying, but I am having great difficulty following the hon. Gentleman's train of thought. On the one hand, he says, rightly, that the deficit and the debt stock are too large, but he then connects that with extremely high interest rates. We do not have extremely high interest rates; we have record low interest rates at the moment.

Jacob Rees-Mogg: I am sorry to say that the hon. Lady left my train of thought at the wrong station. The point I was making was that, if we carry on issuing gilts at an even faster rate, long-term interest rates will rise, and it is on long-term interest rates that mortgages end up being priced. If we look at the gilts market, we see that the very thought—the prospect, the hope—of a Conservative Government saw it rally, therefore reducing the cost of borrowing to people in this country, whether Her Majesty's Government or private individuals. So yes, we have very low overnight rates, but the long-term rate set by the gilts market is more important for mortgages.

Chris Leslie: Will the hon. Gentleman give way?

Jacob Rees-Mogg: It would be a privilege.

Chris Leslie: But surely the hon. Gentleman, as a sensible and grounded individual, will recognise that there is a world of difference between the Greek situation, to which some of his more hot-headed colleagues have compared our country, and the rather sturdy and well managed way in which we deal with our debt and gilts issuance in this country.

Jacob Rees-Mogg: I do not believe that I had mentioned Greece in the few words that I had spoken. I would say, however, that it is better to cut before getting into a Greek situation. I admire my right hon. Friend the Chancellor of the Exchequer because, in his foresight, he has brought forward action early. Countries in a Greek situation find that they can get no money from the financial markets and have to go cap in hand to the International Monetary Fund or the European Central Bank. How much better it is—how much more "prudent", to use a word once popular with Labour Members—to get our house in order before reaching that state of desperation.

Kate Green *rose—*

Jacob Rees-Mogg: Of course I will give way.

Kate Green: I am following the hon. Gentleman's argument, I think, thanks to the probing questions of my hon. Friends. Are we not talking about a balance between getting the long-term interest rates sufficiently low and not overreacting and over-dramatising, which I fear the hon. Gentleman is in danger of doing?

Jacob Rees-Mogg: The hon. Lady ought to allow me to get over-dramatic before accusing me of being so. Her point is to some extent valid; of course we need to consider these things rationally and deal with them in a sensible and prudent fashion. That is exactly what we have done. The point that I am trying to establish is that the level of debt needs to be tackled urgently. I am not saying that the United Kingdom is bankrupt; there are studies that show that there has been no default on our debt since 1688. I do not believe that the situation was going to lead to a default on gilt-edged securities. We had not reached that stage.

Mr Kevan Jones *rose—*

Jacob Rees-Mogg: However, I do not believe that it would have been impossible, purely because of our strong history, for us to have reached that stage if we had not done something early—sooner rather than later. Does the hon. Member for North Durham (Mr Jones) still want to intervene? I shall be delighted to give way.

Mr Jones: Is it not the case that the average maturity of UK debt is some 14 years, as opposed to two years in Greece?

Jacob Rees-Mogg: The hon. Gentleman is absolutely right. That is why, as I was saying, it is right to address the problem now, when we are in a strong enough position to do it and take the pain. Nobody denies that cutting is painful. It is always difficult.

Having, I hope, established the seriousness of the situation, I want to move on to the balance between tax rises and spending cuts and why I think, once again, that Her Majesty's Government have exactly the right balance. One figure has not been drawn out in these debates, but it is noteworthy. If we take net tax receipts and national insurance contributions as a percentage of GDP, we see that they will reach 36.4% in 2013-14. That level has not been achieved in any single year of socialist government from 1970-71 onwards. We are having the highest level of taxation as a percentage of GDP because of a Conservative Budget, of all things. Incidentally, the same figure was reached under the chancellorships of Lords Howe and Lawson. So the Conservatives are willing to tax when it is necessary to ensure the financial stability of the country.

Owen Smith: Will the hon. Gentleman give way?

Jacob Rees-Mogg: Of course—with pleasure.

Owen Smith: Given the manifest command of economic history that the hon. Gentleman is showing, will he answer a question that the Chief Secretary to the Treasury could not answer when I asked him earlier today? It was about growth. Can the hon. Gentleman name one five-year period during any of the past 40 years when we have seen the level of growth projected by the OBR—in particular, the level of job creation in the private sector?

Jacob Rees-Mogg: The hon. Gentleman asks the wrong question, for a very straightforward reason. I would happily ask a question back. Can he point to a deeper recession in the history of the United Kingdom? The fact is that recovery rates from very deep recessions are much faster than those from shallower recessions. That is the point that my right hon. Friend the Member for Wokingham (Mr Redwood) made earlier. We get very strong recoveries after a very serious downturn, and the seriousness of the recent downturn goes back to the 1930s, as the right hon. Member for Edinburgh South West (Mr Darling) so rightly pointed out.

Gregg McClymont (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): The hon. Gentleman asked whether it was possible to name any recession in which there has been such a recovery. What about the 1930s? I understand that it was only through rearmament that Britain recovered from the deepest recession of all.

Jacob Rees-Mogg: I do not believe that the hon. Gentleman is accurate about the recovery in the 1930s. There is a common misconception that the recession of the 1930s was the same in the United Kingdom as in the United States, but that is not correct. What really happened in the 1930s is that when we came off the gold standard, there was a gigantic monetary stimulus, and that led to the recovery. The one thing that is of crucial importance, but outside the strict remit of this debate, is that we must maintain a loose monetary policy, which will be supportive of the recovery, as it was in the 1930s.

Gregg McClymont: I thank the hon. Gentleman for that answer. However, my understanding is that we had mass unemployment until the war took its course and we had to rearm. Am I not right in saying that the unemployment problem that emerged after 1929, and particularly after 1931, was not solved until rearmament and the war occurred?

Jacob Rees-Mogg: The hon. Gentleman is absolutely right about the problem of unemployment in the 1930s, although the situation began to recover in the United Kingdom considerably earlier than in the United States. I accept that in the United States, rearmament led to recovery, but I suggest that in the United Kingdom the recovery resulted from coming off the gold standard and the boost to trade that that provided.

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): Will the right hon. Gentleman give way?

Jacob Rees-Mogg: The hon. Gentleman has promoted me, but I will give way for the flattery.

Mr Bailey: I am sure it is only a matter of time.

Does the hon. Gentleman acknowledge that the diminution in unemployment that took place in the 1930s was largely a result of Government public spending, particularly on public sector housing?

Jacob Rees-Mogg: I think that Neville Chamberlain managed to balance the budget, so we had a Chancellor who was a Conservative doing quite a good deal of work in the 1930s. However, we may be getting a little abstruse and far away from the 2010 Finance Bill.

Chris Leslie: Can I ask one last question on the 1930s?

Jacob Rees-Mogg: I know that I am accused of being old-fashioned, but I do not want to conduct the whole debate in the 1930s.

Let us move back to 2010 and the need for the tax rises to be as they are, not higher. Clearly, at 36.4% of GDP, we are at a tax level that it is very difficult to surpass. I remind Labour Members who disparage the great Professor Laffer that when tax rates were at 83%, they still failed to get above 36.4% of GDP, so taxation is as high as it can be.

My final point is on spending. The problem with spending is that it got out of control post the period when Labour followed the Conservative plans for public spending. It is simply not sustainably to have Government spending at 48% of GDP when the tax base is 36.4% of GDP.

Grahame M. Morris: If that is the case, why did the Conservatives support the Labour Government's spending plans until 2008? In fact, my recollection is that there were demands for more spending—more police numbers, more support for carers, and so on.

Jacob Rees-Mogg: *There were political reasons, I* think it might be said, for supporting those spending plans. I was not a Member of the House at that time, and it is a bit harsh for me to be expected to take responsibility. I think a lot of people, not only in this House, held to the mistaken idea that the economy was going to carry on growing for ever. I have always thought that boom and bust is a fact of life. We always have booms and we always have busts, and we will have them again. One can look at studies of financial cycles going back to biblical times, so the thought that there would always be growth was simply wrong, and to try to match Labour's spending programme was a mistake. However, even Homer nods. The point is that spending was out of control and had to be cut, and taxation is at its limit.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): I know that the hon. Gentleman keeps quoting the figure of 36.4% of GDP, but is that not dependent upon what GDP actually is? According to the coalition Government's prospectus, GDP will actually go down.

Jacob Rees-Mogg: The hon. Gentleman ought to bear in mind that we will achieve growth if we leave some money for business to borrow rather than it all being pinched by the state. That was the point that I was making at the beginning—if the state borrows all the money that is going, in the absence of quantitative easing, it crowds out private investment.

I know that Members do not want to listen to me all evening, so I shall—[Hon. Members: "No, more!"] Well, as I understand it, if I go on long enough tomorrow's business is forfeit, and that is an Opposition motion, so I will conclude.

We know that the situation is serious and that tax is as high as it can be, therefore spending must be cut, however difficult it is. I commend the Liberal Democrats for their courage in supporting that and facing up to the realities of government, which they have not needed to do for a few decades. If I were wearing my hat, I would take it off to the Liberal Democrats.

9.6 pm

Mr Kevan Jones (North Durham) (Lab): I congratulate the hon. Member for North East Somerset (Jacob Rees-Mogg) on his contribution. I am really pleased that the Rees-Mogg family are all in this together with us in the tough times ahead, and I hope that the financial strain that the Rees-Mogg family will have to face will not mean that the hon. Gentleman's tailor is somehow deprived of business.

It is a pleasure to speak with you in the Chair for the first time, Mr Deputy Speaker. This is the first time that I have spoken in a debate in this Parliament, and it is an opportunity not just to recognise the dangers of the Budget but to pay tribute to the benefits that we in North Durham received from the 13 years of the Labour Government.

I congratulate the hon. Member for North East Cambridgeshire (Stephen Barclay), my hon. Friend the Member for Scunthorpe (Nic Dakin) and the hon. Members for Ipswich (Ben Gummer) and for Weaver Vale (Graham Evans) on their excellent maiden speeches. They all rightly paid tribute to their predecessors, and *will be strong advocates for their constituencies.*

This Finance Bill is a bit odd in that it is a two-stage Bill. Some of us have been used to having the Second Reading debate on the Floor of the House, and then the Members who had either upset the Whips or were financial saddos went into a Committee Room for several weeks for the Committee stage.

Chris Leslie: It's a shame.

Mr Jones: My hon. Friend says it is a shame that that is no longer the case. I know that when he was a Back Bencher two Parliaments ago he was an assiduous Member, perhaps with the sad anorak tendency of those on the Finance Bill Committee.

Barry Gardiner: He used to take notes.

Mr Jones: He did. We are now to have all stages on the Floor of the House, which I greatly welcome. I look forward to exploring the Bill in depth in the next few weeks, as I am sure many other Labour Members do.

Mr Love: Does my hon. Friend agree that all the damage that we know will be done will come in this Finance Bill?

Mr Jones: It will, and I shall refer to that later. It will affect many people in my constituency, including some of the poorest.

In introducing his Budget, the Chancellor said:

"This emergency Budget deals decisively with our country's record debts. It pays for the past, and it plans for the future. It supports a strong, enterprise-led recovery, it rewards work and it protects the most vulnerable in our society. Yes, it is tough, but it is also fair."—[*Official Report*, 22 June 2010; Vol. 512, c. 166.]

His apprentice, in the form of the Chief Secretary to the Treasury, came before us today. He is wheeled out every time the Conservative party wants to do a nasty deed. I would have thought that he would wake up to the fact that the Conservatives use him and the Liberal Democrats as a shield.

Helen Goodman: It is cruel.

Mr Jones: I am not sure that it is, because the Chief Secretary knows what he has signed up to. With his great experience as press officer for the Cairngorms national park, I am sure that he knows danger when he sees it. We need to expose the Liberal Democrats' rank hypocrisy. They went into the election campaign arguing against most of the things to which they have now signed up. They have abandoned decades of commitment to some of the poorest in our society.

Those actions are predicated on a myth. The hon. Member for Dundee East (Stewart Hosie) identified it earlier when he mentioned Canada. That is a worthwhile example, because if we want to explain what is happening, we need to examine in detail what happened in Canada in the 1990s. The Government are copying not only

every single measure that the then Canadian Government introduced but the tactics, including the great consultation with the Canadian people about how to cut the budget.

Clive Efford: I am interested in my hon. Friend's argument, particularly his comparison of the consultation that is about to take place with what happened in Canada. Will he confirm that the consultation in Canada took place on the basis that the Government would reinvest in the public sector after they had got through their budget deficit, whereas this Government are making an ideological change whereby they will cut back the state for ever? They are inviting people to take part in a consultation not to ascertain where we should take short-term measures, but to cut from the state services that people will never see again.

Mr Jones: My hon. Friend is right, but in Canada people fell for the trick, because they cut back and did not reinvest.

The Budget is ideologically driven. It is not about deficit reduction, but about driving down the state and ensuring that we can somehow con the British public into accepting the unthinkable.

We must always have someone with whom to compare ourselves and say, "We could be like that." The current tendency is to compare us with Greece, whereas in Canada in the 1990s, New Zealand was used an example. The process followed the same pattern as today. The starting point is to convince the public that the debt is so horrendous that there is no alternative to ideologically driven debt reduction; some hon. Members have claimed that today. The next step is to whip up the media and get a friendly think-tank or other supportive organisation to put forward selective facts about the size of the deficit. To crank up the national debt as high as possible, everything is added in, including future private finance initiative funding. Revenue accounting is added to capital costs, without explaining to people that capital investment is investment in this country's economy. That is how to try to scare the public.

As happened in Canada, the next step is to say that if the cuts are not made, the consequences will be dire. Guess what the Canadian Liberals did? They threatened, "If we don't do this, the IMF will come in tomorrow." We heard that during the election campaign. There is nothing new about what is happening here. The Conservative party has clearly copied the Canadian model, and even adopted the playbook. Unfortunately, it has been able to con the Liberal Democrats into being its human shield.

Mrs McGuire: Does my hon. Friend agree that some of the leaks that apparently came out of the Government in the past two or three days concerning 40% cuts are designed to set the context of fear that he is describing? When interviewed at the weekend, one senior Government Minister said that nobody would be asked for 40% cuts, and that that was only scenario planning. Are the Government trying to set the context so that people might be relieved that the cuts are less severe than those paraded in the media?

Mr Jones: As a former trade union negotiator, I can tell my right hon. Friend that that is an old trick. People go into negotiations asking for 50% knowing that they will come out with 5%. It is exactly as she portrays.

If anybody wants to read about the Government's game plan, or war plan, I recommend an excellent book—someone sent me a copy from Canada—called "Shooting the Hippo" by Linda McQuaig. It is nothing to do with wildlife, and I say to the more delicate individuals in the Chamber that it is not actually about murdering hippos, but where the title comes from is interesting. Part of the media hype in Canada centred on the example of the baby hippo that would have to be shot because the zoo could no longer afford the size of compound it needed. We thereby get into a self-fulfilling prophesy, in which there is somehow no alternative.

Hon. Members have mentioned the comparison with Greece; the Canadians used the example of New Zealand. The Tories and the Liberal Democrats have justified the emergency Budget by talking about our "sovereign debt crisis" as though it were the same as Greece's, or that of some other southern European country. That has been the entire justification for the proposals. The hon. Member for North East Somerset referred to gilts and other investments as though they would be at risk if nothing were done, and actually claimed credit for the Government for the change in the gilt yield. However, the 10-year bond yield in the UK today is around 4.5%, but it actually dropped to 3.5% in February, way before the election.

Jacob Rees-Mogg *rose—*

Mr Jones: To somehow attribute that decline to— *[Interruption.]* From a sedentary position, the hon. Member for Chelsea and Fulham (Greg Hands) asks me to give way. I am glad he is now either a Parliamentary Private Secretary or some other kind of bag carrier on the Back Benches, because it will stop him making his fatuous contributions. I hope that the Exchequer Secretary is a good Minister to carry bags for, unlike the Minister for Equalities or one of the other Liberal Democrat Ministers. I shall give way with pleasure to the hon. Member for North East Somerset.

Jacob Rees-Mogg: The financial markets in February had the intelligence to work out that there was an election in May and to consult the opinion polls. It was not exactly a case of consulting Mystic Meg.

Mr Jones: The financial markets obviously and clearly got it wrong, so I am not sure what point the hon. Gentleman is making. The idea that the Labour Government left us in such a dire situation is absolute nonsense. It, too, is part of the scare agenda.

Andrew Bridgen: The hon. Gentleman seems to have the impression that the world has an insatiable appetite to buy UK Government debt. If that is the case, why did at least one Treasury gilt sale fail to be fully taken up?

Mr Jones: How many sales were there? We were rightly trying to raise money, but to give the impression that UK Government debt is a bad investment is completely ludicrous.

Helen Goodman: I am sure my hon. Friend is aware that a large proportion of British Government debt is bought by domestic savers rather than overseas savers. That is another reason why the British Government are much less at risk from the international markets.

Mr Jones: I am grateful to my hon. Friend for raising that point. A Bank of International Settlements report that I looked at this morning—it is worth looking at, and I suggest that anyone who has a spare half hour, or who suffers from insomnia later tonight, read it—contains an interesting graph showing exactly where debts are: 70% of Greek debt and 50% of US debt is held by non-residents, but for the UK the proportion is 30%. That makes my hon. Friend's point well.

Ministers increasingly raise the spectre of Greece. For example, last week the Secretary of State for Energy and Climate Change said that the Chancellor had said that the Budget was necessary because otherwise Britain would be in danger of not being able to pay its way in the world. Public debt in Greece is the highest in the euro area at about 120% of GDP. It also has one of the highest fiscal deficits in the OECD, with 14% of GDP. I do not seek to minimise the UK's debt—it needs to be dealt with, and we set out a clear plan to tackle it—but it rose 20% in the last couple of years for a very good reason. We faced a massive economic downturn, and investing the money was the correct thing to do to ensure that we did not go into not only a recession, but a long-term depression. I remind new Conservative Members that when those who are now in government were in opposition, they got it wrong on Northern Rock and wrong on how to deal with the banking crisis. Did they ever oppose anything that we did on that? No, they did not; they supported our measures. Their approach would have got us into a complete mess.

The UK debt is 68% of GDP, which is much lower than the euro area average of 79%. Our fiscal deficit is 11%. However much people try to portray our borrowings as on a par with those of Greece or some of the other basket cases—as the press call them—that is just not so. It is the same with the return on bonds. In the US it is 3.58% and in Germany 2.5%. In addition, we have to recognise what type of debt we have. Those who are following the war plan to frighten everyone might fall for the suggestion that somehow our debt has to be repaid tomorrow. We are even hearing some of the nonsense that we heard in the Thatcher era about the idea that the UK economy—or a business—should be run like a personal bank account. That is complete nonsense. If people look at the chart on page 68 of the Bank for International Settlements report, on the maturity of debt, they will see that for the UK it is 14 years. In the US and Germany it is under nine years, and Greece has some debt on short-term loans of two years, with an immediate requirement to repay. The idea that we are in such a mess that we have to repay debt now, and so need this emergency Budget—with all the damage that the VAT increase and everything else will do—is utter nonsense.

Sajid Javid (Bromsgrove) (Con): While what the hon. Gentleman says about the duration of the Government's debt is correct, what is of more importance now is the amount of borrowing that the Government have to do on a weekly basis because of the size of the deficit, which is—at 13% of GDP—the largest in Europe. We are borrowing roughly £3 billion a week, and that has nothing to do with the duration of the debt. Regardless of the duration, if the deficit is not addressed we will still be in the market trying to borrow £3 billion a week. That is one of the reasons why the auction that my hon. Friend the Member for North West Leicestershire (Andrew Bridgen) mentioned earlier failed in the markets.

Mr Jones: The hon. Gentleman misunderstands. No one is suggesting that we do not need to reduce the debt: the Labour Government did reduce the debt. I know that during the election the stock in-phrase was "Labour didn't mend the roof while the sun was shining". Well, I am sorry, but we did. We actually paid off debt. For example, the 3G licences for mobile phones raised in excess of £20 billion, which went directly to paying off debt. However, we are now in danger of doing what happened in the 1980s with the Thatcher Government: borrowing money not to invest, which we were doing, but to pay unemployment and other benefits. The Government are going to slash welfare benefits, exactly as happened in Canada, and blame the poor. It was not the poor, unemployed or disabled in my constituency who got the debt this high; it was the international bankers and the people who are now to be rewarded by the Budget proposals on corporation tax as part of this stimulus.

Phil Wilson: On the 3G licences, is my hon. Friend also aware that we paid back more debt then than all the Governments since 1945 put together?

Mr Jones: Yes, we did, and that was the responsible thing to do. My right hon. Friend the shadow Chancellor set out what our Government reductions were going to be.

On the recession, if anyone says we are out of the woods, they should look at the provisional gross domestic product figures: 0.3% growth in the first quarter of this year, and 0.4% growth in the final quarter of 2009. The new Office for Budget Responsibility thinks that the economy will grow by 1.2% in 2010, and by 2.3% in 2011. So the Budget is a great gamble. However, this is not just about what is in the Budget and the Finance Bill, which will take money out of the economy at this crucial time when we need to put money in; the Government are also gambling on the complete and utter nonsense that there are two different economies in the country—the private sector, which is good and which we look up to and say, "It's a wonderful thing," and the public sector, which is bad and which we boo whenever we talk about it—and that somehow we can separate the two. I shall return to that point in a minute.

On the proposed deficit reduction, the Government's fox has been shot by their own Office for Budget Responsibility. Its independent analysis is that Labour's deficit reduction plan would have more than achieved the target of halving the deficit over four years, from 11.1% in 2009-10 to 5% in 2013-14. The OBR also said that the Labour plan would reduce the structural deficit by nearly three quarters, from 5.2% of GDP in 2010-11 to 1.6% in 2014. The plan as outlined to halve the budget deficit within four years would have met the timetable set out at the recent G20 summit on 27 June 2010. Government Members and commentators say that the previous Government did not have a plan, but they did, and even the Government's own Office for Budget Responsibility recognise that. That plan, however, is now being crammed into two years, which cannot be done without a cost to jobs.

Mrs McGuire: Does my hon. Friend agree that, given the scenario he has painted and the fact that the previous Government's budget deficit plan would meet the international criteria, one would suspect that the current plan is more about ideology than economics?

Mr Jones: My right hon. Friend is right as usual: the Government's plan has nothing to do with that, but is being used as an excuse for an ideological attack, because what they actually want is a smaller state in this country. I return to the point that the Government's plan is about saying, "Private sector good; public sector to be sneered at, public sector workers to be denigrated and not valued," and that if we reduce the size of the state, that will somehow lead to nirvana, at which point we can all go off into the sunset and live happily ever after. However, the Government suddenly announced yesterday that they were basically going to shelve the Building Schools for the Future programme, affecting exactly those jobs that the local construction industry—I met the Civil Engineering Contractors Association a few weeks ago—was relying on to ensure that the recovery continues. Therefore, to argue that we can somehow cut back the public sector without having any effect whatever on the private sector is complete nonsense.

We all know that in regions such as mine in the north-east, as well as those in Northern Ireland and others that have a larger public sector dependency than other areas, the effect of what is outlined in the Budget will be even worse. However, I give hon. Members this warning: we ain't seen nothing yet, because the Finance Bill will work by salami slicing, which is a technique that the Government are using to slip the news out. The biggest crackdown will come—we all know this—with the public sector spending round in October. That is when the real cuts in both capital budgets and other investments will be made.

Phil Wilson: I thank my hon. Friend for giving way again, and he is absolutely right. The Government have an objective of trying to create a big society, but does he agree that if we continue down this road, what they will produce is a little Britain?

Mr Jones: Yes, they will, and there is something else that they will do. Interestingly, the hon. Member for Ipswich, who made an excellent maiden speech, talked about prison reform, saying things that he really meant, on an issue to which he is committed. However, he will soon be disabused of that, when he finds that the prison reforms being put through the Ministry of Justice have nothing at all to do with the penal system, and everything to do with budget restraint.

As for the other measures , the VAT increase will have a disproportionate effect on my constituents and those in regions such as mine, because it is, in part, one of the poorest communities. As for the Liberal Democrats—we saw a half-hearted attempt earlier to defend the increase in VAT—the measure will indeed affect the poorest.

Grahame M. Morris: On the point raised by Government Members about the impact assessment, will my hon. Friend comment on the impact of the VAT increase on the third sector? I had meetings at the weekend, and I know that many in the voluntary and community sector rely on trading activity and are concerned about what the increase will do to their income levels.

Mr Jones: The increase is going to affect every single organisation that provides public services, including local councils—the increase will cost them a lot of money. As we saw earlier, certain commitments were given on VAT, and I have here the Liberal Democrat poster from 8 April—and I must say that it is very good. I am sorry if I am going to pour more scorn on to the Liberal Democrats, but I enjoy doing it, and I am sure that some of their Tory colleagues will enjoy it as well. The poster says:

"Tory VAT bombshell.

You'd pay £389 more a year in VAT under the Conservatives".

The Deputy Prime Minister, the right hon. Member for Sheffield, Hallam (Mr Clegg) made quite a few comments on VAT before the election. He referred to it on the "Today" programme on 7 April 2010, saying that VAT

"let's remember, is a regressive tax".

What has changed since then? What is being proposed will affect the poorest in our society.

The Deputy Prime Minister is not the only one who has form in this area. When the then Leader of the Opposition appeared in Exeter in something called Cameron Direct on 8 May 2009, he said:

"You could try as you say put it on VAT, sales tax, but again if you look at the effect of sales tax, it's very regressive, it hits the poorest the hardest. It does, I absolutely promise you."

So what is different now? What has actually changed, apart from the fact that the Government now have their posteriors on the Treasury Bench and in their ministerial limousines?

Ms Angela Eagle: My hon. Friend is making a perfectly good point and an extremely good speech. I should like to update the House about the website of the Deputy Prime Minister. The "Tory VAT bombshell" poster, which was on the website until very recently, has just been removed.

Mr Jones: I congratulate the hon. Member who raised the matter earlier. Someone obviously had to scurry away and take the poster down very quickly.

Tom Blenkinsop: In my constituency, I recently met representatives of the North East Federation of Small Business, who were concerned about their members who worked in retail on the high street. The increase in VAT to 20% will affect them very badly.

Mr Jones: I will come to that in a moment. Let me be honest—I have never considered shopping a leisure activity, and I think people are quite strange if they do. Unfortunately, my family and large numbers of my constituents think that it is. The VAT increase will have an effect on that leisure activity, which will have a direct effect on jobs that occupy a large proportion of the local economy in many areas. My hon. Friend's constituency has been affected by events at the Corus steelworks, and one possible result of that is that people will be looking for other jobs, including in retail, but those jobs simply will not be there.

Mrs McGuire: My hon. Friend said that we needed to look at the whole package. Will he reflect on the fact, linked to some of the cuts in maternity benefits, that new parents will have to pay 20% VAT when they buy a pram, for example? The VAT increase will apply not only to the big common items such as fridges, washing machines and cars but to basic goods that families have to buy daily.

Mr Jones: That will be a double whammy for those new families. Something like 30,000 children in the north-east will also lose out through the abolition of the child trust fund. Their families will then be hit by the VAT increase, on top of the huge expense of a new child, which will have a disproportionate effect, as my right hon. Friend points out. It will have an even greater effect on low-income families and people who are on benefits.

We spoke earlier about where the burden of the cuts will fall. It was obviously a first outing for the hon. Member for Solihull (Lorely Burt), and the Government have obviously run out of people to put on the Front Bench, judging by the performance that we saw. She tried to argue that VAT was not a regressive tax, although the Liberal Democrats said throughout the election campaign that it was. She also tried to argue that the increase would not affect the poorest in society.

One of the great things about being a Member of Parliament is that we have access to a great Library here. I suggest that all hon. Members go and take a look at the excellent document on VAT and the new standard rate of 20%. Turn to page 4, which has a very useful graph that shows that, as a result of this increase, the poorest will pay some 19% more as a proportion of their net household income, while the richest will pay less than 11%. People in North Durham who are on benefits and those made unemployed over the last few weeks will find themselves being hit straight away next year by this tax. Also affected will be a lot of small businesses, shops and others.

Kate Green: Does my hon. Friend agree that the reason why the poor are hit so particularly hard is that for them this is not discretionary spending, but spending on essentials? While the rich might face paying out a higher proportion of their expenditure, that is because they choose to incur that extra expenditure, while poorer families are being fleeced for expenditure on items for which they have no choice but to spend.

Mr Jones: My hon. Friend makes a very good point. Unlike the hon. Member for North East Somerset, who might be able to forgo a visit to the tailor once this year, some of the families he is talking to will not have a choice about whether to buy a new pram or other essential equipment for their baby. I have some further examples to put to the House.

Mr MacNeil: I am grateful to the hon. Gentleman for letting me into the debate. The reason I often hear from the Liberal Democrats for their support for the increase in VAT is that the figures were far worse than they expected them to be. However, the pre-Budget report said that the deficit would be £176 billion, yet when it came to the Budget proper, it was £149 billion. In the build-up to the election, the Budget deficit was greater than anticipated and the Liberals were against the VAT rise; then, when they found a decrease in the deficit, they were suddenly for the VAT rise. I am perplexed. Can the hon. Gentleman help me understand those figures?

Mr Jones: What I am going to say to the hon. Gentleman in response might come as a bigger shock to him than when he first found out that Father Christmas did not exist.

Mr MacNeil: What?

Mr Jones: The Liberal Democrats do say one thing and do another. As I say, that will come as a great shock to the hon. Gentleman, but let us be honest, anyone who has fought Liberal Democrats in local government is used to them saying one thing and doing another locally, as well as nationally.

Mr Love: Does my hon. Friend agree that the biggest shock of all was the statements made by the Chancellor immediately before the Budget to the effect that he had no plans to raise VAT?

Mr Jones: Yes, we have been asked directly whether this came suddenly as a shock. The hon. Member for Na h-Eileanan an Iar (Mr MacNeil) has just raised the very clear point that the actual size of the deficit was smaller than projected. No, this is a coalition deal, as we all know, by the push-me, pull-me coalition. We obviously have two leaders who can hardly be told apart in terms of political objectives, and we have some very unhappy individuals, such as the hon. Member for St Ives (Andrew George). When he made his speech trying to justify this in the House last week, he looked very uncomfortable. I feel for him; all I would say is that if he feels so unhappy, he should come and join us.

Barry Gardiner: My hon. Friend is making a tremendous speech and I hope he goes on making it for a good deal longer. He talked about the impact of VAT on small businesses, but does he agree that one of the most damaging effects on those businesses in his part of the world will come from the loss of One NorthEast? The very support that businesses in his area require is going to be lost.

Mr Jones: Yes, another myth that people have been peddling is that development agencies like One NorthEast were somehow profiting and spending. I will tell anyone what One NorthEast did in my constituency. It helped out a perfectly viable business in the middle of the recession, which could not get a £2 million loan that it needed to be underwritten. When One NorthEast stepped in, 20 extra jobs were created in that small business and another 50 were safeguarded.

Chris Leslie: Are not small businesses doubly affected because of the cash-flow problems that they may experience? With VAT at 20%, it is difficult to persuade customers to pay up on time. Many businesses may go to the wall, and insolvencies may arise as a result of the VAT change.

Mr Jones: That is a very good point. The Budget offers no help whatsoever for the small businesses to which my hon. Friend referred. However, it is not just small businesses that are affected. Some supermarkets are very wary about the increase because of what they fear will happen to their businesses. The finance director of Tesco has called on the Government to freeze VAT at 17.5% because, he says, the economy is very fragile, saying:

"The recovery is happening but it's fragile and therefore the balance is important".

He says VAT

"is going to be part of the austerity package but it is a question of when you do it. The best thing would be to wait a bit."

Let me also give Sainsbury's a mention. According to Eye Spy MP, the Chief Secretary has been shopping there and buying Quavers. I am not sure whether they were intended to sustain him during tonight's debate. Justin King, the chief executive of Sainsbury's,

"warned the incoming UK government to refrain from increasing VAT amid speculation it could be an option considered by"

the coalition Government.

As has been pointed out, the VAT increase will have a real effect on retail business large and small. As for the consumer viewpoint, Mike O'Connor, chief executive of Consumer Focus, has said:

"Thousands of the things we buy every day are going to get more expensive. The VAT rise will hit the poorest consumers hardest as people who earn least already spend proportionately more of their income on VAT and it will be even more important for consumers to shop around for the best bargains."

Lilian Greenwood (Nottingham South) (Lab): Will not many of the poorest families be doubly hard hit? Not only will they face rising prices as a result of the VAT increase, but at the same time their benefits will be uprated in line with the consumer prices index rather than as previously with the retail prices index.

Mr Jones: There will indeed be a double effect on those families. It is all very well saying that people can shop around, but in my constituency—a rural constituency but, as I said in my maiden speech, one with urban problems—they cannot do that when they have no access to a car and the only option is public transport. Those are the communities who will be hit hardest, and I am sure that they exist in all constituencies. The new hon. Member for North East Cambridgeshire, for instance, spoke of the pockets of deprivation in his own constituency. Those rural poor families will be hit harder than most.

Grahame M. Morris: The VAT increase will have an impact not only on small businesses and enterprises, but on working men's clubs. Tonight there was a meeting of the all-party parliamentary group on non-profit making clubs, which is very concerned about the increase. Many clubs in our area are operating on the margins, and it will have an immediate impact on their costs because the transport costs are all passed on to them. Has my hon. Friend any thoughts about the impact on such clubs, which provide a real social centre for many people?

Mr Jones: As a member of the Sacriston workmen's club, I have to concur with my hon. Friend. As he knows, following the smoking ban, the change in the way people access alcohol and supermarket price cutting, many such clubs in the north-east of England have been struggling. Many have closed, sadly, in my constituency. We hear a lot about rural pubs, but we hear very little about the Club and Institute Union movement. In many places, including his constituency and mine, those clubs are the centre of the community. Once they have gone, they will not be replaced. The VAT increase will be a severe blow for them at this difficult time, when they are struggling already.

Barry Gardiner: My hon. Friend has been most generous in giving way. Before he moves on from VAT, has he had the opportunity to consider the costs to businesses of reprogramming their tills for the change in VAT? My understanding is that many of the large supermarket chains find that that process costs them millions of pounds. That is a real cost to the economy that does not seem to be factored in.

Mr Jones: My hon. Friend makes a good point. There will be a cost not only to large businesses but to small businesses. That brings me neatly on to the British Retail Consortium, which has grave concerns about the VAT increase. It recently said that it could cost up to 163,000 jobs and affect some £3.6 billion of spending. Again, in many communities those jobs are vital. This is on top of the very difficult economic climate that businesses are facing. In my constituency, retail-led development is a catalyst for regeneration. If, for example, the new Tesco in Stanley does not go ahead because of these proposals, it will have a knock-on effect on the regeneration of an entire town.

Nadhim Zahawi (Stratford-on-Avon) (Con): On that point, I wonder whether the hon. Gentleman protested as much when the previous Government raised VAT on businesses? Did he make that point in the Chamber?

Mr Jones: The hon. Gentleman has to realise that these are his Government's proposals. I have the luxury of being in opposition, where I can oppose the Government.

Nadhim Zahawi: For a long time.

Mr Jones: The way the Government are going with this Budget, I am not sure that it will be. The hon. Gentleman will have to get used to the fact that we will question the Government on the proposals because they will have a draconian effect on my constituents in North Durham.

I must refer not just to the retail trade or charities, but to the Conservative grass roots. Tim Montgomerie, on his website ConservativeHome, said:

"First, it hurts the poor most of all and, second, both the Conservatives and the Liberal Democrats said they had 'no plans' to increase this tax. At a time when trust in politics is so low we don't need 'plans' to emerge tomorrow."

That was in advance of the announcement that is contained in the Bill.

The other sector that the Bill will have a dramatic effect on is the construction sector. Yesterday, we saw the Building Schools for the Future programme decimated, directly affecting thousands of jobs. I am glad that my hon. Friend the Member for Halton (Derek Twigg) is back. He mentioned the decimation not only of BSF in his constituency but of other projects that have been put forward. Again, business and construction will have to carry the cost of the VAT increase.

Another sector that will be affected will be charities and the work that they do. I know that under the new Conservative approach, as part of the big society, charities are supposed to be stepping up to the mark, but they will be the ones that will be affected.

Helen Goodman: Has my hon. Friend noticed with respect to charities that the Government have now proposed to let welfare-to-work contracts on such a basis that only large companies with a lot of capital will be able to deliver them to unemployed people, thereby ruling out the voluntary sector from being involved in that worthwhile work?

Mr Jones: Exactly, and if these bodies are then to be burdened by this VAT increase, that will severely affect them.

On the VAT issue, I wish now to discuss an excellent document, which I believe has been sent to all hon. Members, produced by Save the Children and headed "Why the rise in VAT must be cancelled". It makes all the arguments that the excellent Library note makes about the poorest being affected the worst, but it also gives some very good examples. A table on page 3 shows that the essential items to which my hon. Friend the Member for Stretford and Urmston (Kate Green) was referring are not luxuries but items that a family would require. I am talking about things such as washing machines, electric ovens and hobs and children's bed frames, which will all be affected by this increase. The hon. Member for Solihull said that people should rush out to buy these things now to avoid the VAT increase in January. What she does not understand is that some individuals do not have the disposable income to be able suddenly to go out, shop around and get them. Many of these people rely on credit, so they face a double whammy of credit, usually at a high interest rate, and the effect of the coming VAT increase.

The Liberal Democrats should hang their heads in shame for supporting this Budget and especially these proposals, which are not progressive but will hit the hardest up in our society. I just hope that when it comes to the votes on the VAT increases they have the courage to oppose them; otherwise, they will have an electoral price to pay at the ballot box in local elections and others.

The proposals in the Budget to increase the insurance premium have not been given a lot of attention tonight.

Chris Leslie: It is a stealth tax.

Mr Jones: From a sedentary position, my hon. Friend rightly says that this is a stealth tax, and again, it will affect some of the poorest in our community. Earlier in the debate, we were talking about the level of fuel duty and rural communities where a car is not a luxury but an essential item that enables people to get around. This Budget will increase the insurance premiums for those drivers, with young drivers being particularly affected. Just because of their age, those drivers pay the highest premiums and they will have to pay an extra 1% under this Budget. In some cases, that will stop young drivers being able to get access to insurance.

Helen Goodman: On that point, does my hon. Friend agree that this will inhibit young people from learning to drive? Being able to drive is often an extremely important skill for people to have when looking for a job.

Mr Jones: Well, it is. In a constituency such as mine, driving is an essential tool for young people in getting to work and other places. My fear is that this will lead—

Mr Speaker: Order. I apologise for interrupting the hon. Gentleman, but a very large number of private conversations are taking place and there is a substantial hubbub in the Chamber. It is as though, after the first 53 minutes of his speech, the attention of the House has wandered a little. However, I know that a hushed atmosphere will be resumed and the House will want to hang upon his every word.

Mr Jones: What this proposal will lead to—this is my fear—is an increase in the number of uninsured drivers in those communities, and thus to the prospect of many people endangering not only their own lives but those of the people involved in their accidents.

My hon. Friend the Member for Nottingham East (Chris Leslie) referred to the tax on travel insurance as a stealth tax. It will be a tax on individuals, but it has also been condemned as a tax on the industry, although the industry thought the tax would be higher. It is an example of the Government's negotiation tool of leaking or briefing that something is going to increase by x and then introducing a smaller increase as if somehow that is a great concession. Insurance premium tax will increase from 5%, but the higher rate of IPT for travel insurance will increase from 17.5% to 20%. That will have a direct effect on every constituent who goes on holiday next year. I fear that people will go abroad without proper travel insurance, and the taxpayer will have to pick up the bill in many cases.

Chris Leslie: My hon. Friend is right. Often the taxpayer is lumbered with having to rescue people abroad who have found themselves in precarious situations owing to the lack of proper insurance. Does my hon. Friend agree that this rather mean-spirited holiday tax will have all sorts of unforeseen consequences?

Mr Jones: Yes. For many of my constituents a holiday is one of their largest annual expenditures. So if an extra tax is added there will be a danger that people, especially the young, will not take out proper holiday insurance and the taxpayer will have to pick up the bill on occasions. There is also the distress caused to families.

There is a little-known item on MPs' expenses in the Bill. I tried to ask the Chief Secretary a question about it early on, but he ignored it. I know we should not be speaking about our expenses and that many hon. Members cannot mention the IPSA word without using unparliamentary language. I am not going to do that; I actually got some money out of it yesterday.

The proposals in the Finance Bill allow our expenses to be treated as they were before in terms of their tax status. I cannot understand why the deposit that we are to be given for the rental of our second homes in London is taxable. I do not know whether it is a mistake or why that has been excluded. I am sure that if we send a tax bill to the Independent Parliamentary Standards Authority it will not pay it.

Already we are treated for tax purposes as though we run a small business. Before, we were allowed to claim legitimate expenditure for the filing of tax returns. IPSA has taken that away from us and we now have to pay that cost, which in my case will be something like £600 next year. I would like to see all our expenditure such as that on equipment, on which there is capital depreciation, taken out of tax. That would solve the issue in terms of our being looked at as small businesses.

I rued the day a few years ago when I knocked the door through in my office and found out that I had a tax liability for it of more than £1,000. Do not ask me what I will do with the door in the office when I stand down as a Member of Parliament, but I have paid that tax. I jest, but I seriously suggest that we need to look at this area. Clearly, IPSA and the court of public opinion

said that we could no longer claim for legitimate tax advice. That is fine. I do not need a tax adviser, unlike some hon. Members, to handle my personal tax affairs. So we need to have a look at that point.

Finally—[HON. MEMBERS: "No—more!"]—I come to corporation tax and an issue that has emerged from tonight's debate. The Budget statement said that corporation tax would be reduced over a four-year period, but the Bill reduces it for only one year. What confidence does that give businesses looking to make long-term investments? Are we to have some sort of assurance, or is the Bill to be amended to ensure that corporation tax is reduced to the 24p proposed?

I have never spoken about Northern Ireland affairs, but I thought this one was too good to miss. There is an issue that affects Northern Ireland more than other parts of the country: the possibility of driving corporations south to the Republic of Ireland. The Chief Secretary said how wonderful it is that our corporation tax rate will be among the lowest, but the rate in Ireland is 12.5%. I know that Members of the Northern Ireland Assembly are concerned that, even with the decrease, it might be attractive for businesses to move from the north to the south. When the Government look at how to rebalance the Northern Ireland economy, it will be important to take that point on board.

The pain in the Budget will affect many constituents of mine. Thirteen years of Labour Government transformed the infrastructure of North Durham. We have two new hospitals, five new primary care centres and GP surgeries, new dentists and new schools. Not only did that have a beneficial effect on the life chances of many of my constituents, but it put money into the local economy. Now, with yesterday's announcement on Building Schools for the Future, we see that that tap is to be turned off. We are going to go back to the days when I was chair of school governors in Newcastle. Yes, as the Secretary of State for Education said yesterday, education is about good teaching—I passionately believe that—but teachers cannot do that if they have to have a bucket to catch the water leaking through the roof.

The other measure that will have a big impact on my constituents is the freeze in public sector pay—something I feel passionate about. When I was a Minister, I helped not only Labour Members but all Members in standing up and arguing for our servicemen and women. Frankly, the pay freeze announced by this Government is a disgrace. When we have people risking their lives in Afghanistan, to impose a pay freeze on them is a disgrace.

I thank everyone for listening tonight. I shall enjoy the debates on this Finance Bill, because it is right that it gets proper scrutiny and that we explode the myths that are being propounded. That way, when people in my constituency and elsewhere are having their housing benefit cut and they are being evicted, they will know the reasons why. It is more important that we stop some of the more horrendous measures in the Bill happening at all, but if they do happen, we need to be able to lay the blame in the right place. We expect this from the Conservatives. The north-east suffered under the Conservatives for 18 years. What we do not expect is the collaboration that we are seeing from the Liberal Democrats in the coalition, or the pathetic excuses we heard the hon. Member for Solihull give to justify the horrendous measures that are coming my constituents' way and hers as a result of this Budget.

Mr John Denham (Southampton, Itchen) (Lab): On a point of order, Mr Speaker. At about 4pm today I was rung by a reporter from *The Daily Telegraph*, Mr Christopher Hope, and asked to comment on the reply to a written question that he said would be answered tomorrow. I assumed that the question had been answered and would be reported in *Hansard* tomorrow. However, when I checked with the Library, it confirmed that no answer had been received. I have also checked with the hon. Member for Perth and North Perthshire (Pete Wishart), who tabled the question. He had checked his pigeon hole at about 4pm, and at that time he had not received a reply. At 7pm, the Library told me that the question had still not been answered.

Is it in order for the Secretary of State for Communities and Local Government or his agents to give a parliamentary answer to the press before making it available to the hon. Member who asked the question or, indeed, to the whole House? What remedies can we have for those Ministers who have such low regard for this House and its Members?

Mr Speaker: I am grateful to the right hon. Gentleman for his point of order and for advance notice of it. It is, of course, essential that answers are given first, to the Member concerned, although it sometimes happens that answers go innocently astray. Ministers on the Treasury Bench and the Government Whip have heard the point of order and will no doubt ensure that the Department discovers what took place. When that is ascertained, and it should not take long to do so, I would like to be informed. I am grateful to the right hon. Gentleman for putting a serious matter on the record.

Just before I call Mr Andrew George, I simply point out to the House that a very large number of Members are still seeking to catch my eye, and I know that Members will regard it as most helpful, with no reference to any particular speech that the House has heard, if I remind it that the Finance Bill is a relatively narrow Bill of, I think, 11 clauses and five schedules. It is approximately 30 pages, and the thrust of it depends upon, and is relevant to, I think, seven resolutions of the House. I thought that that might give it a bit of context and reference.

10.12 pm

Andrew George (St Ives) (LD): It is a pleasure to follow the hon. Member for North Durham (Mr Jones). If I pick my way through the hyperbole and the political points that he sought to make, I find that there were a number of very telling and important facts and figures. Indeed, it was a thoughtful and constructive contribution in many ways, if a rather encyclopaedic one. When he opened his remarks, he described it as his first speech—his maiden speech—since the general election, but next time he is about to speak, I must remind myself not to be the next speaker.

This debate about the Finance Bill—and I accept your strictures, Mr Speaker—can probably be characterised by the to-ing and fro-ing between Members on the Treasury Bench and Opposition Members. Members on the Treasury Bench have characterised the emergency Budget and the Finance Bill that underlies it as an unavoidable and regrettable necessity, given the public finances and the circumstances in which the country

[Andrew George]

finds itself. On the other hand, Opposition Members have predictably and quite understandably characterised it as entirely ideologically driven and an example of political opportunism.

In my brief contribution, I want to try to acknowledge that, first, as Members on the Treasury Bench have said, we are all in this together. The nature of today's debate is that we are all in a political mire of tribal point-scoring and translucent evidence, and that has not shown the House or this debate in a good light. We should be trying to get to the nub of the evidence that drives us towards the correct answers; we, as politicians across the political spectrum, are seeking to assist the country. People witnessing the debate will not have been enlightened by many of the contributions because of the tribalism into which the House has fallen. *[Interruption.]* Hon. Members may well not like that comment.

Having said all that, I should add that there were four beacons of hope in the maiden speeches this evening, made by the hon. Member for Scunthorpe (Nic Dakin) and my hon. Friends the Members for North East Cambridgeshire (Stephen Barclay), for Ipswich (Ben Gummer) and for Weaver Vale (Graham Evans).

I suppose that I have been implying that I oppose any ideologically driven contribution, but I actually want to make one myself.

Mrs McGuire *rose—*

Mrs Madeleine Moon (Bridgend) (Lab) *rose—*

Andrew George: May I make this point about the ideologically driven element of the debate? I strongly endorse an element of it. There is a welcome on the Government Benches, and even on the Opposition Benches, for elements of the Finance Bill and the Budget that preceded it. I am thinking of the rise and ultimately the further ratcheting up of the personal tax allowance, of the triple lock that will ensure that pensioners get a decent annual pension increase and of the closing of the tax loophole that has existed for many years.

The loophole was created by Labour's reduction of capital gains tax to 18%. That has now been increased to just 28%, and we will certainly have an opportunity to debate that issue in the coming weeks. It was an important contribution. Furthermore, a banking levy has been introduced. It is important that the sector that dropped us into the mess should make a significant contribution towards helping us get out of it; I would argue that at this moment its contribution is still not sufficiently significant.

The hon. Member for North Durham's last comments were about public sector pay. In the Budget, we have been seeking to protect the lowest-paid in the public sector.

Mr Lammy *rose—*

Mrs McGuire *rose—*

Andrew George: I shall give way to the right hon. Lady, but I want my contribution to be short.

Mrs McGuire: I fully understand some of the hon. Gentleman's comments about matters of judgment. I also understand that he thought that the £1,000 increase in the personal tax allowance was important. I have observed him for many years in the House, and he is an honourable person. Will he help Opposition Members to understand why since April and early May, when he was so violently against any increase in value added tax, he has started supporting a regressive increase in that tax? It would help break down some of the barriers that he senses if we could understand the thought process involved and the discussions that drew him into the VAT spider's web.

Andrew George: I am grateful to the right hon. Lady for that intervention. She has come to the nub of the dilemma in which a number of other hon. Members and I find ourselves. Yes, the VAT increase was not part of the coalition agreement. I presupposed that it would inevitably be regressive and that I would automatically oppose it. The right hon. Lady will be aware that last Monday, I tabled an amendment on the Order Paper that sought to get the Treasury to provide the necessary impact assessment of the 2.5% VAT rise as it applied to families across the income spectrums, to charities and to businesses. There was mention of the rural travelling public as well.

Clive Efford: Will the hon. Gentleman give way?

Andrew George: I will just make this point, if I may.

There are very significant questions to be asked about this issue. On page 67 of the Red Book, the changes to VAT are described as "progressive". I question whether it is entirely accurate to describe a VAT rise as being, on balance, progressive. *[Interruption.]* I am trying to make a constructive contribution to the debate; I am not taking a tribal view of this issue.

Clive Efford *rose—*

Andrew George: I am going to finish making this point about VAT, if the hon. Gentleman does not mind.

The best source that most people pray in aid when engaged in Treasury and Finance Bill debates is the Institute for Fiscal Studies, so I looked at the evidence that it has gathered on VAT. The hon. Member for North Durham referred to that in the context of the graph on page 3 of the Library note. The IFS makes it clear that, taking a snapshot in time, those who are engaged in the highest expenditure will be most affected by changes in VAT.

Several hon. Members *rose—*

Andrew George: I will take more interventions when I have responded to the right hon. Member for Stirling (Mrs McGuire), who asked a very significant question that deserves an answer and is the nub of the point that I wish to make.

The IFS says that not only do the highest spenders pay the most VAT, but that it is in relation to their incomes. Therefore, as the useful graph in the Library note shows, the highest contribution is made by the lowest-income households, which inevitably, under its definition, are those with the highest expenditure in relation to income. The IFS goes on to say that we should look at the impact on lower-income households from the perspective not just of a snapshot in time but across a longer period, if not entirely a lifetime. In other

words, its conclusion is much more equivocal. In view of that, we need to understand to a far greater degree the extent to which the VAT rise is regressive or progressive. I think it is reasonable—

Kate Green *rose—*

Mr Lammy *rose—*

Andrew George: Just let me finish my sentence. When I have made this point, I will give way to the hon. Member for Stretford and Urmston (Kate Green).

I welcome annex A of the Red Book and congratulate those on the Treasury Benches on introducing it. For the first time, it provides an impact assessment and evidence of the kind that Labour Members must accept that they did not provide in the past. However, I still do not think that it is enough—it is too superficial. I have asked a large number of questions of the Chancellor of the Exchequer, as hon. Members will know, because I believe that it is important that we understand a great deal more about the impact of the VAT rise on low-income households, charities, businesses and others.

Kate Green: I am very grateful to the hon. Gentleman for giving way, and I hope that my sentences will be a little shorter than his.

Is it not the case that in a complex argument, we are beginning to unpick the cumulative effect on lower-income households? It is a combination of a hit on their expenditure—not on their luxury spending but on their essential spending—and a reduction of their income if they rely on safety-net benefits, because of the future link with the consumer prices index, as well as the risk of their falling out of work and having at least a period of unemployment. I believe that the hon. Gentleman is rightly striving to describe that cumulative effect. I very much welcomed his amendment on looking at the impact of the VAT measures on those households.

Andrew George: I am very grateful to the hon. Lady, and we will have to compete on sentence lengths in future. Given her experience on the issue, it is worth while to quote once again the Save the Children briefing note that was circulated to the House, as the hon. Member for North Durham did. As the hon. Lady says, there is a cumulative effect, but if any amendments are tabled to the Finance Bill, they will be directly related to VAT and other matters will have to be considered in other ways, not necessarily under the Bill.

The Bill is rather narrowly set, and the Budget mentioned other measures, which must presumably come forward in another Finance Bill that will be presented to us in the autumn, so I assume that there will be a further opportunity for those issues to be examined, because only seven measures are contained in the 11 clauses of this rather narrowly drawn Bill.

I realise that I have just committed myself to another very long sentence with an enormous sub-clause in it, but I said that I would quote from the evidence presented to us by Save the Children, which is important. It states:

"Increasing VAT will simply widen inequalities and entrench the unfairness that exists in the tax system...It is also worth noting that data from the Office for National Statistics shows that, on average, the wealthiest households contain fewer children than poorer and middle income households, meaning that the unfairness of the tax system is weighted against children."

Further to the point about whether the increase will have an impact on low-income households, Save the Children therefore rightly raises another issue. I should like the Treasury Ministers, in response to my questions and those that others will no doubt raise, to elucidate on that a little further.

What we need in this debate and in the further stages of scrutiny that the Bill will necessarily go through is a lot more information. I would describe the situation as a tribal mire in which there is translucent evidence, and that evidence needs to be much clearer.

Glenda Jackson (Hampstead and Kilburn) (Lab): I am most grateful to the hon. Gentleman for giving way, and I admire his mea culpa—is it St Sebastian, the man who stands there with all the arrows? Certainly the hon. Gentleman has portrayed that for us this evening. However, with respect, the issue is not simply VAT. In his opening remarks he said he supported the Budget and the Finance Bill because we are all in this together, but we are not.

No one sitting in this Chamber or within the environs of this Chamber is in danger of losing their home because of the changes that his Government are bringing in with regard to housing benefit, but 303 of my constituents are in danger of losing precisely that. They are not alone in London or the country at large. The hon. Gentleman gave a very good mea culpa on VAT, but the complicity of his party with what the Conservatives are going to do to our country is not absolved, however long his sentence.

Mr Speaker: Order. May I just say to the hon. Lady that I could listen to her, almost without interruption, for some hours, but that shorter interventions would be helpful? It is always a pleasure to listen to her fantastic enunciation.

Andrew George: I think that we are all competing in sentence length—perhaps the hour is causing us to use sub-clauses. *[Interruption.]* I know that I am not the most articulate Member—I have a speech impediment; please bear with me.

The hon. Member for Hampstead and Kilburn (Glenda Jackson) made a decent point. If she listened carefully to my opening remarks, she would realise that my reference to the "we're all in it together" theme was intended to criticise us all for being in it together by missing the point and making tribal remarks about the other side, but not being in it together with the country at large, which will suffer through some of the Budget measures. She made further points about my keeping narrowly to the subject of VAT. Interventions in my speech have been only about VAT, and I wished to make a brief contribution, which turned out to be much longer than I expected, on VAT. It is important, having commenced on that path, to continue on it and examine that provision in isolation. I know that it cannot be taken in isolation by the families, businesses and charities that it will affect. However, I still believe that it is important to consider it on its own.

The other issues, such as housing benefit, that the hon. Lady mentioned, are not in the Bill. I hope that the House will have a good opportunity to debate public sector spending and benefits, including disability benefit issues, which were announced in the Budget and clearly need to be debated later, with all the facts made available to us. We currently have a translucent position with regard to the evidence before us.

Several hon. Members *rose—*

Andrew George: I want to draw my remarks to a close.

Mr Love: You haven't said anything yet.

Andrew George: The hon. Gentleman has obviously not been listening. He is incapable of listening to anything.

We require honest and transparent information from the Treasury to help us reach a conclusion about the VAT measure's other impacts. I hope that Treasury Ministers will revisit the issue, perhaps having undertaken further modelling and commissioned further studies on its impact on low income families, charities and businesses. I hope that they will be prepared to revise their position, if necessary during the Bill's passage.

Several hon. Members have mentioned the rural fuel derogation and the opportunity for that to be introduced. The Chief Secretary promised to go away and make some further inquiries about that. I encourage members of the Treasury Bench to examine that carefully because the impact on rural areas will clearly be significant. The Chief Secretary made a commitment this evening to undertake further studies.

Mr MacNeil *rose—*

Andrew George: How can I possibly resist?

Mr MacNeil: While awaiting the big answer to why the hon. Gentleman is supporting the VAT increase, I ask him whether he agrees that a rural fuel derogation should be introduced before the VAT increase. After all, the rural fuel derogation is mentioned in the coalition Government's programme, whereas the VAT increase is not. The Government have moved lightning quick on VAT; let us hope that they move as quickly on the rural fuel derogation. Will he support me on that at least?

Andrew George: The hon. Gentleman makes a good point. I remain agnostic about the process whereby the goal is achieved, but I wish him well with the aim and share his view, because the issue affects the very rural communities of west Cornwall and the Isles of Scilly in the same way as it affects the Scottish islands.

David Wright *rose—*

Andrew George: I am going to draw my remarks to a close, so I will take no further interventions. My proposal was purely for VAT impact assessments, and through questions to Ministers, I am seeking further information on the impact of the VAT increase.

Mr Byrne: I am grateful to the hon. Gentleman for giving way—the House has been following his remarks with some care. Before the Liberal Democrats gave their consent to the proposals in the Budget, they will have discussed the matter. In the interests of the debate that he is trying to stimulate, was it ever explained in those discussions that an extra £9 billion of tax must be raised by the Budget because its overall effect is to slow the recovery to such a serious extent?

Andrew George: If the right hon. Gentleman does not mind, I will move on. That is part of the debate that he will no doubt continue with Treasury Ministers. If Labour Members wish to avoid a VAT increase such as that proposed in the Bill, they need to propose alternatives. Those might include a further increase in the banking levy or an increase in capital gains tax, or perhaps VAT increases could apply to luxury goods but not to others, but alternative measures to fill the £13 billion hole in the public sector accounts would be needed.

I hope that future stages of the Bill will provide a more constructive environment in which to debate VAT and other matters.

10.37 pm

Clive Efford (Eltham) (Lab): I congratulate my hon. Friend the Member for Scunthorpe (Nic Dakin), and the hon. Members for North East Cambridgeshire (Stephen Barclay) and for Ipswich (Ben Gummer), on their maiden speeches. The description of the blood-red sunsets by the hon. Member for North East Cambridgeshire showed his passion for his constituency, and my hon. Friend spoke well of his predecessors and his love of his adopted town. The hon. Member for Ipswich, if I may say, spoke very little about his constituency for a maiden speech. It was none the less a maiden speech, and I congratulate him on it.

Nothing sums up the Budget more than the *Financial Times* headline the morning after: "Well paid breathe collective sigh of relief". The article discusses the impact of capital gains tax, stating:

"Higher earners expecting to bear the brunt of the chancellor's tax rises were breathing a collective sigh of relief yesterday, having been spared major increases to capital gains and income tax in the emergency Budget...Capital gains tax rates of 40 or 50 per cent and further restrictions to pension tax reliefs had been forecast by tax advisers in the weeks after the general election. When a smaller increase in CGT - just for higher-rate taxpayers - and a consultation on allowing pension contributions of £45,000 a year were announced, many were pleasantly surprised."

The director of RBC Wealth Management is quoted in the article. She said:

"Many higher earners will be breathing a sigh of relief."

The Fair Investment Company, an independent financial advice company, made similar exaltations:

"CGT has not been raised up to 50 per cent as speculated and the exemption allowance has not gone down to £2,500 like the Lib Dems proposed, so many higher-rate taxpayers will be breathing a sigh of relief".

We were told that the Lib Dems and the Tories want to raise £1 in tax for every £4 they cut in public expenditure, but where is the mandate for making those cuts? At the general election, the majority of the electorate voted for parties that opposed drastic cuts, including an increase in VAT and the proposed austerity Budget to cut public services.

Stephen Williams (Bristol West) (LD): The hon. Gentleman appears to be lamenting the fact that capital gains tax was not increased by more than proposed in the Budget. At which point during the 13 years of Labour Government, when capital gains tax was decreased from 40% to 18%, did he protest that?

Clive Efford: The hon. Gentleman misses the point. The point is what the Liberal Democrats said about capital gains tax before the election and what has happened afterwards. I cannot find any record of anybody saying, "Thank God we have the Liberal Democrats to water down this horrible Tory Budget." No one is saying

that—*[Interruption.]* As much as the Liberal Democrats try to dance on a pinhead over the VAT increases and how they have looked for an investigation into VAT so that they can all cuddle up at night and sleep well knowing that they have not made life awful for poor people—they claim that they have forced the Government into a review—what will they really do about it?

Mr Kevan Jones: In fact, the hon. Member for Solihull (Lorely Burt) not only did not make excuses for the increase, she tried to justify it.

Clive Efford: What we have heard in several debates is so much hand wringing that I have almost started to feel sorry for the Liberal Democrats. They must be in agony from all the crushed fingers they have from wringing their hands so tightly in trying to explain away the impact of the VAT increase.

Toby Perkins: Was my hon. Friend as surprised as I was that during the Budget debate the hon. Member for Bromsgrove (Sajid Javid) said:

"Opposition Members have accused us of being ideological about the matter, but how can we be anything else? They are absolutely right, and there is no shame in it"?—*[Official Report,* 24 June 2010; Vol. 512, c. 515.]

He was clear that it was a Thatcherite Tory Budget that he was proud of. The Liberal Democrats are being used as a sort of human shield to defend a Budget that in other circumstances would have appalled them.

Lorely Burt: That's an old phrase!

Clive Efford: Well, I am sorry, but the hon. Lady will hear it again and again, because it happens to be true.

During the general election the Prime Minister—he was Leader of the Opposition at the time—said to Jeremy Paxman on "Newsnight" on 23 April:

"We have absolutely no plans to raise VAT. Our first budget is all about recognising we need to get spending under control rather than putting up tax".

In his closing remarks in the leaders' debate, he said that he believed that the test of a good society is how it looks after the poorest and most vulnerable in difficult times. Well it did not take him long to fail that test. He promises good times ahead and a clean break. Who for? It is certainly not for the poorest in our communities.

The Deputy Prime Minister—I remind the House that he was the leader of the Liberal Democrats in opposition—said during the election campaign:

"The Conservatives have made a series of uncosted tax promises, tax bribes."

That was referring to Tory promises to recognise marriage in the tax system, limit the national insurance rise, freeze council tax, and raise inheritance tax thresholds. He continued:

"The only way that they are going to deliver their tax promises is by dropping a tax bombshell, a VAT bombshell of £389 a year on every household in this country."

What changed his mind? Was it when the ministerial Prius turned up outside his house or was it before that?

The Liberal Democrats launched their London election manifesto claiming that under them Londoners would save some £700 a year. They said that tax cuts would be paid for by "closing loopholes" and "increasing aviation pollution taxes". They said their tax reform would be the most radical in a generation—any takers on the Conservative Benches for a radical change from the Liberal Democrats? I think not! Their manifesto also included a pledge

"to put 600 more police on the capital's streets and an extra £520 million a year in London schools."

Instead, however, we have seen a cut in Building Schools for the Future and in police numbers, and we are going to see a rise in unemployment as a result of their support for the Budget.

Mrs Moon: Is my hon. Friend, like me, going back to his constituency and finding a high level of concern, fear and anxiety about the future? This is not just about the VAT proposals in the Finance Bill; people are nervous about the future, their budgets and their capacity to spend and have a secure future. People are nervous about, and afraid of, every aspect of the Con-Dem coalition.

Clive Efford: My hon. Friend is right. That applies not just to individuals but to businesses. Many people are expressing concern about the impact of this emergency Budget.

On 8 April, the Deputy Prime Minister said on Sky News:

"We will not have to raise VAT to deliver our promises. The Conservatives will. Let me repeat that: our plans do not require a rise in VAT. The Tory plans do."

Well, we all know it is a Tory plan now, do we not? And we all know who is voting for it.

What are the public to make of this sudden about-face? Who has the moral mandate for this level of tax increase and for taking this proportion of tax to pay for the deficit as opposed to rolling back the state? Where is the mandate for making the poorest pay for this Budget as they will? More importantly, however, where is the contribution from the banks?

Dan Byles (North Warwickshire) (Con): The hon. Gentleman has given us an interesting list of quotes and dates. Will he point to the date on which his own Front-Bench team ruled out raising VAT during the general election?

Clive Efford: The hon. Gentleman is new to the House—and he might well be new to politics—but I am sure that, if he looks in his history books and reads all the quotes, he will find that most parties going into an election do not rule out such an increase, unlike in the foolish statements made on "Newsnight" by the now Prime Minister and during the general election by the Liberal Democrats.

Now there is trouble at' mill—we have some problems here—because Sir Alan Budd has resigned. Can anyone tell me how a man who only a short while ago described his job as

"the most exciting challenge of my professional life"

can have given up so quickly? This man must have the most exciting job coming up to give up such a prospect already. How have we lost the head of the Office for Budget Responsibility so quickly? Perhaps my right hon. Friend the Member for Birmingham, Hodge Hill (Mr Byrne) can tell me whether there is a revolving door

[Clive Efford]

at the Treasury. We lost the first Chief Secretary to the Treasury and now we have lost the head of the OBR. They are going in and out so quickly that, if they have not got a revolving door, they should put one in pretty quick. It would make it much more efficient for people when leaving their posts so quickly.

What has changed Sir Alan Budd's mind? Has he changed his mind? The Treasury is assuming that growth in the private sector will create 2.5 million jobs in the next five years to compensate for the spending squeeze. Can the Minister tell me when since the second world war the private sector has ever grown that quickly? When has it ever created that many jobs? We have had unprecedented growth over the past 13 years, and it only just created that many jobs in that period. How can these projections point towards the creation of 2.5 million jobs? Perhaps the Liberal Democrats are going to tell us, because they had a cup of tea with the Governor of the Bank of England, after which we saw a miraculous turnaround—perhaps there was something in the tea. Perhaps they can now explain to us what was said that convinced them that miraculous growth in the private sector was going to solve this country's economic problems, as we undergo the most unprecedented assault on the state ever attempted in peacetime.

We have also seen figures leaked from the Treasury. The Government expect between 500,000 and 600,000 jobs to go in the public sector and between 600,000 and 700,000 to disappear in the private sector up to 2015, but how is it that the figures leaked from the Treasury contradicted the figures from the OBR? I am wondering about that, so perhaps someone can give me an answer, because the figures are compiled by the very same people. Treasury officials compile the figures for the OBR, and the leaked figures are from the Treasury. I am therefore a little bit confused, but perhaps somebody can explain that one for me—perhaps the Liberal Democrats have an answer for us, as they are so enthusiastic about the Budget.

The Chancellor has said that some have suggested that there is a choice between dealing with our debts and going for growth, but that this is a false choice, and I agree with him. There is indeed a choice, as Sir Alan Budd also agrees. However, the OBR actually agreed with the figures for growth based on our March Budget and the figures for unemployment; in fact, it considered our figures to be conservative. The March Budget statement was also able to announce that debt had been reduced by £11 billion, which is an important point. The debt had been reduced because there was more income tax, more national insurance, more VAT income and more tax from businesses. A further announcement was made subsequent to the general election, with a further reduction of £5 billion, to which my right hon. Friend the Member for Birmingham, Hodge Hill referred in his opening speech for the Opposition.

David Wright: Does my hon. Friend agree that, on the basis of the growth figures and cutbacks in public spending that he has outlined, the real danger in the Budget is not that we will see a double-dip recession—none of us wants that to happen—but that we will end up repeating the Japanese model, bumping along the bottom in terms of growth and inflation, without seeing a significant improvement in the position of the economy? That is particularly dangerous at a time when we are making savage cuts in public spending.

Clive Efford: I agree with my hon. Friend. There are plenty of eminent economists saying that this is not the time to draw back the fiscal stimulus.

However, the point that I want to make is that the reduction in the debt that the then Chancellor was able to announce in the March Budget was due to the intervention of the Government. There was less unemployment, we were paying out less in unemployment benefit, and there were more people in work and more businesses; therefore, the tax income was higher than had been predicted, indicating that the way through the recession is not this austere Budget, but continuing with the stimulus until growth is stronger.

However, the worrying thing now is that, following the emergency Budget, businesses are starting to question whether growth is on its way. As the *Financial Times* has said:

"Britain's...services sector expanded in June...at the slowest rate in 10 months...The Markit/CIPS UK services Purchasing Managers Index...for June was weaker than consensus forecasts among economists, showing a 54.4 headline reading, down from 55.4 in May. Economists had expected a more modest decline...of 55...It was the weakest reading since August 2009...Business expectations went from a reading of 72.1...to 64...The Services PMI is particularly closely watched because it accounts for the greatest share of private sector business output...'Worrying signs for the UK service sector appeared in June as growth slowed in response to another below par increase in new business...Confidence declined to the greatest extent in 14 years of data collection in reaction to the government's austere emergency budget, with concern expressed that the fiscal tightening could push the country back into recession.'"

According to the *Financial Times*:

"The Purchasing Managers' Index figures came in amid signs that global manufacturing took a hit in June, with China, the US and the eurozone all seeing weaker growth in the sector. The report on exports came as a survey of credit conditions by the UK Bank of England underlined the concern at the prospects for demand in the UK. Credit conditions were expected to deteriorate by the most since the first quarter of 2009, when the recession was at its deepest."

What we are seeing there is the extreme concern in the business sector since the Budget was announced—*[Interruption.]* I hope the Liberal Democrats are listening to this. The construction sector in particular accounts for 10% of our GDP, and public sector expenditure accounts for 40% of the construction industry. The announcement yesterday—such as it was—from the Secretary of State for Education that he was drastically cutting back on schemes such as Building Schools for the Future will make it even more difficult for the Government to deliver growth in employment and growth in the private sector, because they are rowing in completely the opposite direction.

Mr Kevan Jones: Does my hon. Friend agree that the VAT rise will have an effect on new house starts in the construction sector, which is very fragile in my constituency and many others? The increase will have a dramatic effect not only on new builds but on the local builders who rely on building extensions and loft conversions.

Clive Efford: It will indeed; my hon. Friend is absolutely right.

The Guardian website on Sunday 4 July stated:

"CBI disappointed by extra £4 billion capital spending cut. Spending on building and infrastructure projects, many of them to support private sector businesses, will fall faster than expected after the chancellor announced £6.2 billion emergency cuts three weeks ago, with £2 billion of the total from capital expenditure projects. The CBI said: 'Capital investment is crucial to driving the economy forward and the government needs to make sure we get back to the long-run average of 2.25% of national income as soon as possible'."

Are you listening on the Liberal Democrat Benches? What they are voting for is just above 1%.

Stephen Williams: I am enjoying the hon. Gentleman's oral press cutting service. I was listening, enraptured, and waiting for him to contradict the hon. Member for North Durham (Mr Jones) and tell him that VAT is not applied to new builds.

Clive Efford: My hon. Friend—

Mr Byrne: Was my hon. Friend alarmed, as I was, that the Finance Bill says nothing about preserving either zero rating or exempt categories for VAT, including for building services, for the rest of this Parliament?

Clive Efford: We have seen so many unexpected changes from the parties opposite, and my right hon. Friend is absolutely right to draw our attention to the fact that they have been silent on that issue.

I have another question about the Bill. Where does it mention the tax on the banks? When can we expect to see that measure before us? Why is it not part of the Bill? Perhaps the Liberal Democrats would like to intervene on me to tell me when we can expect to see it. We are told that it will be consulted on. If that is the case, is it going to go up or down, or is it going to stay as it is? What is the point of consulting the bankers—I assume that that is whom the Government are going to consult—on something that they would rather did not happen?

The Liberal Democrats told us that they were going to break up the casino banking system. The Secretary of State for Business, Innovation and Skills wanted the banks to be broken down into smaller banks, separating casino banking from normal banking. Yet we are told that the Chancellor opposes this and has set up a commission to look into it, which will take at least a year, thereby kicking it into the long grass. *[Interruption.]* I hear a sedentary intervention that we are dealing with the Finance Bill. Yes we are, and this is not in the Finance Bill, but it is an integral part of the Budget. It is therefore legitimate to ask where it is, when it is going to happen and what the consultation will be about, because it impacts on what taxes we raise on the people we represent. *[Interruption.]* I say to the hon. Member for St Ives (Andrew George), who did not make a very good job of defending his position on the increase, that that includes VAT.

On 12 March the Deputy Prime Minister called for a 10% tax on bank profits and a £2 billion job creation scheme to rescue the victims of recession. We keep being told by the Liberal Democrats that they have had an enormous impact on this Budget, so perhaps they could explain the impact they made here. I would have supported and voted for a 10% tax on bankers' profits, instead of for taking people's benefits away from them or for poor families paying VAT increases. After all, where did the financial problems start?

The Deputy Prime Minister kept digging during the general election, and on 20 April accused the bankers of behaving like "Arthur Scargill in pinstripes". He then went on to say:

"The banks have basically been given untrammelled support by Labour and Conservative governments to do exactly what they like, and take massive risks with our livelihoods and our savings. They have been holding a gun to the economy. A progressive liberal like myself is not going to be squeamish about blowing the whistle on a vested interest."

Well, where is it? Where is the whistleblowing on those vested interests?

The Liberal Democrat website—I do not know whether Liberal Democrat Members ever look at it—still says that they are going to bring "fundamental change" to our banking system.

"We will break them up and break them down."

It continues:

"Until such a time, the taxpayer will have to continue underwriting the banks"—

well, we know that from this Budget.

"To recognise this, we are proposing a new levy on bank profits at a rate of 10%...This levy would be supplementary to corporation tax".

Well, where did that happen? If we look at corporation tax outcomes—*[Interruption.]* The hon. Member for Cheadle (Mark Hunter) intervenes from a sedentary position. Would he like to repeat what he just said? I think he said that the Lib Dems did not win. Well, we all know that; that is why we are complaining about what they are doing.

If I look at what the banks are saying about corporation tax, I find that they are rewarded and compensated for the £2 billion levy that the Budget wants to raise. We have some more juicy quotes here; the Lib Dems might want to listen to them. Here is one:

"Bankers were relieved that the chancellor's speech failed to repeat the coalition government's threat to end 'unacceptable bonuses'".

Deutsche Bank analysts noted the significance of the corporation tax change:

"Taking 2% off the 2012 tax rate for the five banks listed in the UK would increase profit by £1.16bn, that is it should almost offset all of the banks' tax. Overall a good outcome for the banks."

A number of bank analysts calculated that some banks could benefit from the Chancellor's measures. As I have said, Deutsche Bank concluded that it was a "good outcome" for banks, while an analyst at UBS expected Lloyds and HSBC to benefit by 2012 because the cut in their corporation tax bill was larger than the hit that they sustained through the bank levy. HSBC banking analysts concurred:

"We'd expect most domestically-orientated banks, for example Lloyds, to be better off after four years than they were pre-budget".

How has it come about that a party that went through the general election giving all those quotes about how they were going to break the banks up and break them down, and make the bankers pay until the pips squeaked, has come to support a Budget that takes from the bankers with one hand, pays it back with the other and rewards the banks with a tax benefit at the end of it? And at the same time they will be marching through the Lobbies to the drumbeats of the Tories, voting for cuts

[Clive Efford]

in benefits and an increase in VAT, and making the poorest people in our communities pay, when the banks are not paying.

It was all puff and wind from the Liberal Democrats during the election. We have heard it all before, and we are hearing it again. This time, however, they have actually got to vote for something. They are actually in charge and responsible for what they are voting for, and they are going to pay a very heavy price indeed.

Andrew George: What about the 10p tax rate?

Clive Efford: Perhaps the hon. Gentleman would like to intervene. I think he was shouting about the 10p tax rate. There were problems with that, and I will tell the House what they were. I will be quite frank. The 10p tax rate did not direct enough money to the poorest people in our communities. When we hear about the uprating of the lowest tax threshold from the Benches opposite, what we do not hear about is the clawback from the poorest people, who will lose housing benefit and other benefits. We never hear the full story from the Liberal Democrats when they are spinning on a pinhead to try to protect themselves from the charge of having said one thing and done another.

I could go on. The Liberal Democrats are such an easy target that I could be here all night. However, I will end by saying this. It is clear that what is before us tonight is not about the deficit, whatever excuses we hear from the Government Benches. This is an ideological change. Either Members believe that the state should intervene and assist, in particular, the weakest in our communities, or they do not. A stark choice is involved in terms of what Members support in this Bill.

There are 61 million people employed in the public sector. Some 3.9 million work in health, education, defence and social work, and roughly 2 million are employed in other services, including 530,000 civil servants. Those figures are huge, and those people are essential to many of our communities and to our economy. Moreover, 25% of public sector expenditure goes on private sector goods and services. The private sector will find it impossible to fill the gap left by the reduction in the public sector, as those who support the Budget try to claim it will. That 25% that feeds the private sector will be taken away from it when it is trying to grow. Expecting the private sector to grow at a rate that would enable it to fill that gap is just a pipe dream.

In its document "The Jobs Gap", the Work Foundation predicted that the private sector could possibly absorb 500,000 job losses in the public sector, but that any plausible private sector recovery would be overwhelmed if the number approached 1 million. According to the predictions, it will considerably exceed 500,000. The foundation also warned that it was risky to assume that big cuts in public sector payrolls could be effortlessly absorbed by the private sector. There is often a mismatch in skills, which creates a delay in people finding jobs in the private sector, and the recovery tends to come in the most prosperous areas at the expense of the most impoverished. The Chartered Institute of Personnel and Development has estimated that 725,000 jobs will be lost in the public sector alone by 2015, although the number could be lower if the Government succeeded in pushing through pay cuts.

It is clear that these changes go further than is necessary to deal with the deficit. They do little or nothing to recoup money from the banks that have put the country in its present position, and they are clearly unfair on the poorest in our communities. This is the last point that I shall make to the Liberal Democrats. If they fundamentally believe that cutting back the state is what the country should do, they will come back for the national health service. It is not consistent with the measures in the Budget that it is possible to protect the national health service—a public service that intervenes at every level in people's lives—and cut back other aspects of the state.

The Liberal Democrats and the Tories will have to come for the NHS. We only have to look at people such as Mr Daniel Hannan and the speech that he made in America. He was personally invited by the Prime Minister to speak at the Tory party conference, lauds the private sector and wants to cut the NHS and to move to a private health insurance system. Those are the people at the heart of the thinking of the Tory party. I suggest that the Liberal Democrats think very carefully before they vote for the Budget. It is an ideological Budget to cut back the state. They will not be able to defend the NHS once they have gone through the Lobby and voted for this Budget.

Several hon. Members *rose—*

Mr Speaker: Order. I think that I should say to the House that, although I cannot possibly predict such matters, it may well be that at some stage I shall be asked to grant a closure. One of the factors in the decision making of the occupant of the Chair faced with such a request is the extent to which contributions continue to be pithy and relate to the terms of the Bill. I say no more than that.

11.11 pm

Charlie Elphicke (Dover) (Con): I, too, congratulate the hon. Member for Scunthorpe (Nic Dakin) and my hon. Friends the Members for North East Cambridgeshire (Stephen Barclay), for Ipswich (Ben Gummer), and for Weaver Vale (Graham Evans) on their excellent speeches. I also congratulate the hon. Member for North Durham (Mr Jones), who has just departed, who spoke with such eloquence about the need for parliamentary reform. His passion brings a tear to the eye of the Leader of the House; of that I have no doubt whatever.

I am saddened by the need for clause 3, on VAT, to be included in the Bill. It is a great shame that it is necessary to take difficult action in relation to taxes because of the extreme black hole left in the public finances. We now find ourselves in a position where debt is 62% of GDP this year—higher than the 54% in 1976, when the International Monetary Fund was last called in. That is the level of seriousness of the debt that we have. The ratio of debt to GDP is predicted to go to 70% in the next three years, even with the tough action taken by the Government.

I for one am relieved, however, particularly because taxes could have been a lot higher. The black hole could have been filled in other ways. We have taken the difficult decisions on public spending, but we on the Government Benches know that if there had not been a change in government, we would have seen not only a

rise in VAT but a possible £20 billion tax increase, with income tax perhaps going to 25p in the pound. That is the size of the black hole that we have been looking at.

I congratulate my right hon. and hon. Friends on the Treasury Bench on taking the firm action required, because I worry about the least well-off. I worry that the rich-poor divide has widened since 1996-97. I worry that since 2004-05 households in child poverty has risen by 300,000. I welcome the fact that it will be frozen for the next two years. I am concerned that the number of children in overcrowded homes has risen from 980,000 in 2006 to 1,080,000 in 2008, according to Communities and Local Government figures. I am concerned that the housing waiting list has risen from 1 million in 2001 to 1.8 million in 2009, according to CLG figures. I am also concerned that disposable income rose by only 1% a year between 2004-05 and 2008—and that was before the current difficulties hit home.

I, for one, welcome the difficult decisions taken on capital gains tax in clause 2. Personally, I think that that is the right thing to do. I have always taken a more Lawsonian approach. A difficult decision has been made, but it is essential that everyone pays their fair share of tax. I regret that we are not keeping a more ameliorated position for those who own business assets, but I think that those who own country estates, oil paintings or buy-to-let empires should pay a fair share of tax.

We know that that is the right approach to take, because the figures from the past few years show that the level of private rented sector property rose from 10% of housing stock in 2000 to 14% in 2008. Meanwhile, the total social housing stock fell from 4.25 million properties to just 4 million in 2009, according to CLG figures. The level of owner occupation fell from 71% in 2003 to 68% in 2008, according to CLG figures. I regard that with concern, because where people need assistance we should have affordable housing there for them. The number of new affordable houses built also fell under the previous Government. Where people have the requisite funds to buy their own home they should be encouraged and helped to do so. So I commend this Budget to the House.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): If the hon. Gentleman is so concerned about housing, how does he feel about his Government's decision to cut the Homes and Communities Agency by £60 million? Some £4.5 million of that cut will have an impact on new homes that were supposed to be built in my constituency. How does he feel about the most recent announcements on housing allowance, which mean that people in my constituency are having to make up a shortfall of £50 a month?

Charlie Elphicke: I point out to the hon. Lady that the number of affordable houses built in 1995-96 was 74,530, whereas the average for the previous Government's entire tenure was just 40,000 affordable homes built each year. Why was that? Last year's figure was 20,000 below what was achieved under the outgoing Conservative Government. As I said, we built 74,000-odd a year, whereas last year the previous Government built 55,000, so I do not think that they have any record to stand on when it comes to affordable housing, except that of a roll of shame. Their record is an absolute disgrace.

What we need is for the UK to grow faster, because the best cure for deprivation is a job. Too many jobs were taken away by the previous Government's galactic economic incompetence, and we need to have change, so I want to make the case for that. Will the UK grow faster with a larger public sector? Will the UK grow faster with even higher taxes, as were planned by the previous Government? Will the UK grow faster with ever more debt, or would that result only in ever-higher interest rates, a weaker currency, an increased country risk and our country's credit rating at risk? I think that the right decisions have been taken, because the UK will grow faster with a lower jobs tax.

Chris Leslie: I wonder whether the hon. Gentleman recalls what the so-called "independent" Office for Budget Responsibility said about the downgrading of growth forecasts as a direct result of these Budget measures. What was the OBR's finding? Did it say that growth would increase or decrease as a result of the measures in the Budget?

Charlie Elphicke: The hon. Gentleman will know that the OBR itself said that that was misleading. He will also know that the OBR ruled that the figures set out in the March Budget were a total work of fiction and a disgrace, and it downgraded them. The true downgrade was that of GDP growth by 0.5% to 1% by the OBR when it put right the fiction that had been produced previously, and the misleading about the economics of our nation. The hon. Gentleman does not have a leg to stand on.

This country will grow faster with a lower jobs tax, with lower borrowing and with a low rate of corporation tax, as set out in clause 1. The key point that I want to make is that the fall should be faster, because I want to see a corporation tax rate of just 19% in this nation by the end of this Parliament; that would give us a real revolution. I would like us to have a participation exemption, as exists in the Netherlands, Ireland and other places, to make our nation a European headquarters company of the European time zone. I think that capital gains tax is necessary, but business assets should be taxed lower. That was one of the few things that the former Prime Minister got absolutely right, and it is a great shame that we do not have a differential level, or a higher entrepreneur's relief. Ideally, that would be extended, because we need to encourage more jobs and growth, and an expansion of the private sector.

I particularly welcome the new business national insurance relief, which is extraordinarily important. Obviously, as a representative of Dover, I would say that ideally it should be extended across the nation, especially in deprived areas of the south-east that have benefited from social structural European funds—not just Dover but other parts of east Kent and the south-east. We need to clear away the deprivation and the benefits culture that has grown up in recent years so that we can unlock the potential, the hope and the chances in each and every citizen of our nation. If we get them off benefits and back into work and break the cycle of poverty, we bring hope and unlock that potential. That to me is the most important thing—to give everyone in this country a real crack at opportunity in life. In this Budget and this Finance Bill, difficult and bold decisions have been taken, but they are the right decisions, and I support the Bill.

11.20 pm

Gregg McClymont (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): "Fair" and "unavoidable" are the two adjectives that have been attached to the Budget by the Government parties. It seems to me that the claim to fairness has been exploded, not just by Opposition Members and sometimes by Liberal Democrat Members but by the independent analysts who have established the regressive nature of many of the measures in the Budget. I want to concentrate on the claims that there is no alternative, that the markets are demanding deficit elimination on the scale and at the speed proposed in the Budget and that the Government are simply responding to economic facts.

Government Members talk about political economy as if it is a perfect science. The hon. Member for Bermondsey and Old Southwark (Simon Hughes), who is not in his place, suggested that the Office for Budget Responsibility was objective, the corollary being that it was reliable. The Government present the pronouncements of the OBR as gospel, at least when they are convenient for Ministers. They offer technocratic diktats. The Government claim the support of infallible markets and independent institutions. What they deny is that any Budget is inherently a political act as well as an economic one. Listening to the Chancellor deliver his Budget, I got a pretty good idea of what his new politics involved. He thinks that these vital political economy decisions are not a matter for him: he can absolve himself of responsibility. The OBR will provide the figures; the OECD is the supposed authority, the markets the excuses.

The issue of supply—the very reason this House came into existence—will be determined by what Ministers declare to be unavoidable. But political economy is not an exact science. It is a matter of priorities and judgment. It is almost always informed by ideology, self-interest and party interest. How could it be other otherwise when economists rarely agree on anything? Put two economists in a room and you will get three opinions. No, the Budget is deeply political. It embodies the long-held superstitions of the Conservative party, superstitions that come to the fore in times of economic stress—the 1920s, 1930s, 1970s, 1980s, and now again in 2010. However, these superstitions are not fully articulated by Conservative Members. They emerge almost accidentally through their rhetoric, but they are worth examining because they are the real motivation for the coalition Budget.

The first superstition is that debt, no matter what the circumstances, is unnatural and wrong for economic man or woman other than in the short term. This is a superstition since it denies the reality that many households and individuals balance their books only in the long term. They and we often have levels of debt that surpass our annual incomes for many years. Otherwise, no one would be able to afford a mortgage. The fact is that debt is a sensible mechanism for acquiring funds for responsible investments as long as repayments are manageable.

That first superstition encourages a second: states, like households, must not carry debt over the long term.

Sammy Wilson (East Antrim) (DUP): The hon. Gentleman makes an important point. Does he accept that debt and the ability to borrow are not simply a function of one's ability to pay, but of the perception of the exposure to debt and whether, in the long run, that debt will be manageable for borrowers? Our difficulty at present, looking at the evidence elsewhere, is that the markets are nervous about the ability of countries—even ones as stable as ours—to manage in the long run continuing increases in debt and to pay it back.

Gregg McClymont: Keynes famously said that, in the long run, we are all dead. To be fair to the hon. Gentleman, there is a serious point there, to which I was just coming.

As I said, the first superstition encourages a second: that states, like households, must not carry debt over the long term. But if that is untrue for households, it is even less relevant for states, because states are different from households. First, nations do not have to balance their payments over a life cycle as an individual does; unlike individuals, states are here for the long term. That is an important point. Secondly, states' ability to borrow is much greater than that of any private citizen. States may borrow much more cheaply than any individual, simply because the amount of economic activity within any state's borders is much greater than the economic activity to which any individual has access. I therefore disagree with the hon. Gentleman on that point.

More important, states have obligations to the societies they serve in a way that households do not. States can use their ability to borrow to support demand at a time of low private sector activity. Pull away that support for the economy and private sector firms are discouraged from investing, the tax take is reduced and spending and unemployment are pushed up; ultimately, the deficit is made worse. That is the paradox of Government thrift. We learned it in the 1930s. The Liberal Democrats warned us of its dangers up until 7 May. Now, that lesson seems to be totally lost on both elements in the Government.

Government Members claim that the fiscal deficit is crowding out private investment by pushing up interest rates and making investment more expensive. Crowding out is not an insignificant issue and it does have some relevance in conditions of full employment when an economy is at full capacity, but we are nowhere near that point. As the right hon. Member for Wokingham (Mr Redwood) pointed out, the private sector has taken a real battering in the past two or three years. Excess capacity is manifest. In my view, there is a much simpler explanation for low private sector investment: the private sector is not investing and banks are not lending because they fear that households will not have the confidence or the ability to buy goods.

What do we use to restore confidence? So far, we have used monetary policy, but it is not clear to me how much further we can take that. Interest rates are already at rock bottom. We cannot reduce them much further if this Budget tips the economy back into recession or, as my hon. Friend the Member for Telford (David Wright) suggested earlier, it has us bumping along the bottom. At that stage, if the recovery does not take place along the lines the Government that claim it will, the only instruments of monetary policy at our disposal would be further quantitative easing or a further devaluation of the pound to encourage exports. That could be dangerous, encouraging exactly the increased inflation and higher interest rates that Government Members fear. In my opinion, fiscal policy continues to have a role to play.

I mentioned two superstitions that I think underpin the Government's attitude, but there is a third: the idea, repeated over and over, that our national debt is unprecedented historically and exceptional internationally. That is the basis on which the Government claim over and over again that public spending is out of control. They assert again and again that we have left the nation's finances in a mess, and that is the context for the spectre of a sovereign debt crisis.

The Minister of State, Department for Transport (Mrs Theresa Villiers): Yes.

Gregg McClymont: Indeed, they assent. My own view is that the political rhetoric is at odds with the economic reality, and I shall tell them why. Several colleagues have noted that the average maturity of British sovereign debt is 14 years—

Mr Speaker: Order. I am listening to the speech by the hon. Gentleman with the closest interest, and it certainly has the manner of an economic treatise, which is of some interest, but I am just trying to fathom to which part of the Bill his comments relate. I have not yet found it, but I have a feeling that he is about to demonstrate it to me.

Gregg McClymont: Thank you for that guidance, Mr Speaker. As I suggested at the outset, everything in the Finance Bill depends on a view about confidence in the economy, and I was suggesting that the Government's confidence in their own prescription is misplaced. However, I shall try to follow your advice and move on.

Government debt is still at historically low levels. It is edging towards 70% of GDP, but for 60 of the past 100 years, Government debt was at that level or higher, and that undermines the claims for an historic level of debt. It is true that those debts were incurred fighting two world wars, but the recent and more modest expansion of the national debt also happened in exceptional circumstances. I hope that Government Members will not forget the scale of the crisis that the world economy recently suffered. In 2009, global GDP shrank by 2.4%, the first decline since world war two, and the Budget must be considered in that context of global depression.

The political obsession with debt is dangerous and has distorted the Government's economic priorities as set out in the Bill. Our public deficit is just one of many causes for concern about our future economic performance, and that is why Labour had a plan to restrain public spending when the recovery was secured. Labour led Britain out of recession last year through stronger growth and lower unemployment, supported by an active industrial policy and global co-operation. This Government, by contrast, offer us nothing but scaremongering about the national debt and competitive deflation with our economic partners.

What of job creation? In oral questions last week, the Secretary of State for Energy and Climate Change compared the previous Government's target of 1.2 million new green jobs to the sector targets that Gosplan set in the Soviet Union. The Opposition might have had plans and targets for job creation, but the Government have targets for the destruction of jobs. That is what we learned from the Treasury leak last week, and that is where an obsession with public debt leaves us.

I should like to address one final superstition—that austerity inspires confidence among the bond markets that finance our debts and the consumers who drive demand and growth. That belief suits the Chancellor's purposes admirably, as he and his colleagues have done much to undermine confidence in our economy and public finances. They style themselves as the remedy for a moral panic of their own making but, as I have suggested, there is little hard evidence to support what they say. The hard-headed realists on the Government Benches want to sacrifice real services and real jobs here and now, on the basis of what they think the markets might desire of them later. We may yet find that those gods are as inscrutable as they are insatiable. There is a fine line between confidence based on reduced deficits and confidence based on growth. It suggests that markets that smile on austerity now may punish us for low growth later.

In my opinion, the coalition Government and their policies have had little discernible impact on international confidence in the British economy. More important has been the lack of confidence in the eurozone; relatively speaking, confidence in our economy has grown. But the scaremongering about the public finances has already had a clear negative impact on the confidence of ordinary men, women and businesses, on whom the country's recovery rests.

To conclude, the Budget has little to do with progressive or necessary austerity; it is acutely political in intention. The long-term objective is to reduce the financial burden on those who tend to vote Conservative by reducing the size of the public sector. That is the context in which the Conservative claim that the public deficit is the biggest threat to recovery must be understood. The Budget is profoundly political and not unavoidable. It reflects the superstition, self-interest and party interest of the modern Conservative party. I, for one, will not be supporting it.

11.36 pm

Rushanara Ali (Bethnal Green and Bow) (Lab): Thank you, Mr Speaker, for giving me the opportunity to speak in this debate. I should like first to congratulate my fellow new Members, from all parties, on their maiden speeches. I am also grateful to Opposition Members for their passionate speeches in this debate.

The Bill represents only the tip of the iceberg when it comes to the regressive impact of the Government's plans. I want to focus on the effects of the Finance Bill on constituencies such as mine, which falls in the London borough of Tower Hamlets. Although we recognise the need to reduce the Budget deficit, the depth and speed of the cuts and some of the tax rises, such as the VAT rise—all under the euphemism of fiscal consolidation—mask an inherently unjust, unfair and unequal Budget, of which the Bill is a significant part. It will hurt the poorest and most vulnerable in our society and leave hard-working families and small businesses around the country in constituencies such as mine high and dry.

The Bill will have a detrimental effect on the life chances of families on modest incomes. It will increase suffering and deprivation. I welcome the increase in capital gains tax, one of the few progressive aspects of the Bill, but for many in constituencies such as mine it is small comfort given that their homes, jobs, local schools and the very services on which they rely to thrive will be devastated. It makes a mockery of the notion that we are all in this together.

[Rushanara Ali]

I turn now to the impact of the Bill on poverty. Unlike Conservative Governments of the past, the coalition Government have claimed to be progressive. That is how the Bill should be judged, and that is how the country will judge it.

Dr Thérèse Coffey (Suffolk Coastal) (Con): Does the hon. Lady accept that under the last Government the gap between the richest and the poorest grew? I feel that what she is saying now is a contentious way of suggesting that somehow the Conservative-Liberal coalition is attacking the poorest.

Rushanara Ali: We all know that income inequality rises in periods of boom. It is not acceptable, and personally I would rather that we had been able to do much more. As under previous Governments, income inequality increased. However, social inequality decreased. Like many Opposition and Government Members I worked passionately to reduce poverty and we did reduce child poverty nationally. I regret that we did not manage to achieve comparable reductions in child poverty in London.

The Government's cuts will be judged on the measure of progressivism, and it is a great shame that the Bill is not progressive enough. Using VAT to raise £13 billion is a regressive choice. Save the Children estimates that the poorest families in Britain will face VAT bills of about £1,600 a year. The Treasury's own figures show that the poorest are affected three times as much as others by changes in VAT. Many have argued that that is offset by the exempted expenditure on food and children's clothing, but it is quite the opposite. The poorest 10% of households already spend a higher proportion of their disposable incomes on VAT—about 14% compared with about 5% for the top 10%.

These changes, combined with announcements in the Budget such as those on housing benefit, disability living allowance and other kinds of fixed income, alongside the removal of some £3 billion of support to families, will devastate many of the vulnerable families in constituencies such as mine and many others. Ministers and Government Members have been quick to say that restoring the link between earnings and the basic state pension is an important achievement, but unfortunately some 10,000 pensioners in my constituency will suffer from the VAT rise alone.

The VAT increase will reduce consumption. It will hit small businesses, including almost 4,500 in my constituency, very hard. I do not accept the argument that it will be good for the economy. About 70% of those businesses in my constituency have fewer than four members of staff working for them, and there is no doubt that a reduction in consumption will affect them negatively.

The Conservatives have been out of power for 13 years, and the first thing they now do is raise VAT. What does that say about their idea of progressivism? Those of us who were brought up in modest income households, like many millions of people in this country, have not forgotten the pain and suffering inflicted on families through VAT hikes in the past, and I simply do not accept that this is the right path now. I appeal to Liberal Democrat friends and to true compassionate Conservatives —I hope there are still a few left—who know in their heart of hearts that this VAT increase is bad for the British economy, does nothing to create fairness and social justice and does nothing to protect the most vulnerable in our country to think again and to vote with us.

People on modest incomes in constituencies such as mine will have to make terrible choices between heating or feeding and clothing their families, or between new pairs of shoes for their children and taking the bus to work. Sadly, those are the kinds of choices that some people will be forced to make because they are already on low incomes, struggling to cope in this difficult economic climate. We know that in periods of recession people turn to loan sharks because they find it difficult to get other loans, and end up heavily indebted and trapped. We also know that despite efforts by the previous Government, many of the poorest people in this country still suffer from being in a poverty trap. Despite those efforts, child poverty still has not been reduced by as much as we would have liked. I believe that this Budget, particularly the VAT increase, will continue to damage vulnerable families. In Tower Hamlets, in constituencies such as mine, the Budget cuts have already amounted to about £9 million, and a further £55 million of cuts are proposed over the next three years.

Although I welcome the bankers levy, where is the justice and fairness in raising just £2 billion, with no provision being made to tax bonuses? We may contrast that with the £6 billion of bankers' bonuses and with the billions of pounds of public service cuts for ordinary families and workers, and it just does not seem adequate. I am not saying that the public do not want to see the deficit cut, but where is the justice in such a comparatively small levy compared with what the public have to pay?

Toby Perkins: My hon. Friend is making a powerful case. Does she share my view that any Budget that is supposed to have us all in it together but leaves the bankers and the super-rich feeling tremendously relieved and the most deprived people in our communities horrified by what they are facing cannot possibly achieve any measure of fairness?

Rushanara Ali: I agree completely. My constituency is situated between the City and Canary Wharf, and although I and many people in my constituency are grateful for the contribution that responsible bankers make through local community work and so on, the reality is that a small but significant minority have brought the economy almost to a standstill. That is not acceptable, and bankers ought to be asked to make a bigger contribution than ordinary members of the public.

Over the past decade, constituencies such as mine have struggled to get to a position in which people can reach their aspirations, and unemployment was high even during the boom period, particularly among graduates. In the current climate the situation is ever more difficult. I do not believe that punishing ordinary families and people who are struggling to make ends meet is the way forward, or that it will help to create the big society that members of the Conservative party claim to want to create. It does not highlight compassionate conservatism. We heard a lot about that before the election, but I see no sign of it. I hope that some of our friends on the other side of the Chamber will reconsider the matter and think about how they can support families in this difficult climate.

11.47 pm

Ian Lavery (Wansbeck) (Lab): Thank you, Mr Speaker, for allowing me to participate in this debate on the Second Reading of the Finance Bill.

One thing that is certain is that all parties agree that the deficit exists; we disagree only about how we would seek to reduce it, and how quickly or otherwise. Having now seen the detail of the Budget, and having like other Members been drip-fed even more bad news on a daily basis, I feel that the Budget and the subsequent cuts represent a most draconian, vicious and bitter attack on the hard-working people of the UK.

This has been described as the worst Budget in living memory, and I must say that I agree with that sentiment. This unprecedented attack by the coalition—the Tories and the Liberal Democrats—seems to be relished by many on their Benches. There appears to be something of a perverse glee among many of them when they see this attack on the people of this country. Only the wealthy and the well-off seem to have escaped the far-reaching measures forced upon the nation by the slash-and-burn, patched-up coalition Government.

If I may, I wish to introduce a more human side to the debate on the Finance Bill and the Budget. Tonight we have heard a million and one different figures, and I am sure that most of them are accurate, but we have not heard too much about the human side and the impact that the figures in the Bill will have on ordinary working people. In my constituency, 53% of the people work in the public sector—the highest proportion in the country. We should not treat those people as social outcasts, yet that appears to be happening. We have people in integral employment in the public sector—doctors, nurses, firemen, policemen, paramedics, prison officers, teachers, lecturers, classroom assistants, council workers, refuse collectors, street cleaners, chief executives and administrators among many more. Those are all valued occupations—essential jobs for the economy, including that in my constituency.

Let us consider the police. Today, they have been on the front line, chasing an armed murderer only 10 miles from where I live. We should be proud of those police officers and not look to cut their numbers. Today, they are protecting the public; tomorrow, they could face unemployment because of the cuts. Let us consider the firemen. They are the only ones running towards an explosion, or towards a fire in which people are trapped, while the general public run away. We should be proud of them. They are on the front line today, but they face unemployment tomorrow.

We must stop treating people as mere statistics. They are real people, with real lives. They have real families and real mortgages and, like many of us, they have aims and ambitions. Most of them chose a career path when they left school of serving their communities in the public sector. Should they be punished for that through the Bill and the Budget? They should not. They never expected to be unreasonably attacked through Government policy.

Why on earth the Government have attempted to divide public and private sector workers, driving a wedge between them as if they are different sorts of people, in different classes, and creating some second-class citizens is beyond me, unless it is a case of divide and rule. They have not only imposed a two-year pay freeze, but attacked pensions. "Pay more while you work, get less when you retire" seems to be the policy.

Let us consider the figures from my constituency. An average public sector worker in the NHS in Wansbeck can expect a pension of some £6,000 per annum. A local authority worker can expect a pension of £4,000 per annum. That is frankly disgraceful and unacceptable. It is also unashamed vindictiveness towards hard-working people.

The attack on the hard-working people of the public and private sectors through an attempt to dilute safety and health legislation is also worrying. Some on the other side of the House claim that it is burdensome, yet we have some of the best safety and health legislation in the world. When Lord Young of Graffham is being asked to reform safety and health laws and clearly states—

Mr Speaker: Order. The hon. Gentleman is addressing the House with great force and eloquence. A few moments ago, I was waiting for a specific reference to the Bill and he made it, for which the House was indebted to him. However, he is now talking about health and safety and wider reviews, and there is the difficulty that those matters do not appertain to the Bill, to which I know he will now revert with his customary force and eloquence.

Ian Lavery: Thank you very much for that, Mr Speaker —I understand. Whether or not health and safety and other such issues are part of the Bill or the Budget, they are integral to the people whom we represent.

To top it all off, those hard-working people are expected to accept the reduction in their pensions and pay cuts without any voice. It is reported that the Government are looking to tighten what are already the worst anti-trade union laws in the western world, to prevent people from having the democratic right to oppose the cuts in the Bill and the Budget. With pay cuts, pension cuts, benefit cuts, employment rights eroded, and health and safety laws diluted, their futures are in tatters. Who says that we are in this together? I invite the Chancellor and the Prime Minister to visit my constituency, to explain to the people of Wansbeck, including the 53% who may lose their jobs, how on earth we are in this together. What about the young and the future jobs fund and university places? What about the lack of job opportunities and the abolition of the regional development agencies? With the cutting of benefits, what future do the young people have as a result of the Bill?

Disabled people will be affected. What about the tax on disabled benefits? In my constituency, benefits for disablement and incapacity, including disability living allowance, are extremely important, because Wansbeck is a heavily industrialised area. The child trust funds are to be abolished—

Mr Speaker: Order. I am genuinely trying to be helpful to individual Members and to the House. It is open to the hon. Gentleman, and to other hon. Members who speak, to say something about corporation tax, capital gains tax, value added tax, insurance premium tax, income tax, etc.

Ian Lavery: Thanks for that, Mr Speaker. Every Member who has sat in the Chamber for as long as I have today is probably as fed up as I am about VAT and everything else. I accept everything you say, Mr Speaker, but I must say that I am just trying to change things, because we are talking about the cuts and the impact

[Ian Lavery]

they will have on ordinary people. That is the only thing I am trying to get across. I understand quite clearly that I am probably stretching the limits of the debate—

Mr Speaker: Order. I am extremely grateful to the hon. Gentleman and I know he is doing his best to heed my advice—not altogether successfully—but from his last sentence, I suggest that he could delete the word "probably". He was not following my advice, but I know that he will now do so. There are other matters to address if he wishes to do so.

Ian Lavery: Once again, Mr Speaker, thank you very much for your indulgence. I conclude not by mentioning VAT or anything of that nature, but by suggesting once again that it is not fair to say that we are in this together, because we certainly are not.

11.58 pm

Helen Goodman (Bishop Auckland) (Lab): In considering the Bill, we need to address three basic questions. First, does it raise the right amount of money? Secondly, will it promote growth? Thirdly, is it fair? Table 1.1 on page 15 of the Red Book is particularly useful. It lays the policy that the new coalition Government inherited alongside their own tax and spending increases. One of the most interesting things that it shows is that over the five-year period, the extra spending reductions required are £112 billion, and the extra tax increases required are £33 billion.

The policy that the Government inherited of halving the budget deficit over four years was set out by my right hon. Friend the Member for Edinburgh South West (Mr Darling) in March, and the detail of how that would be done was repeated today by my right hon. Friend the Member for Birmingham, Hodge Hill (Mr Byrne).

One of the key issues that we have not considered so far tonight is whether we should be more concerned about the size of the deficit or the size of the debt. Government Members continually stress the importance of the deficit, but the main reason that the deficit is significant is because it contributes to the debt. Page 23 of the Red Book contains chart 1.3, "Consolidation in the cyclically-adjusted current budget", and chart 1.4, "Public sector net debt". They show the tremendous difference that will be made by the policies being pursued by the coalition Government. The policies that my right hon. Friend the Member for Edinburgh South West laid out would have produced a debt to GDP ratio in 2014 of 75%—a high number and not where we would like to be in the long term. But for all the pain and agony that the coalition Government will impose on the country the net impact will be to reduce the debt to GDP ratio by 5% to 70%—just a 5% reduction. It is not even a 5% reduction now, but in 2014. We are being asked to believe that the markets will take a very different view of this small difference in four years' time. That is the altar on which we are told we should smash our public services. That is why Labour Members regard this as a deeply ideological Budget.

David Morris (Morecambe and Lunesdale) (Con): I have been sat here now for an hour and a half listening to this passionate debate and one thing has come across loud and clear. The hon. Lady just gave figures for four years down the line. Does that not give you an indication of the amount of debt your party left this country in?

Helen Goodman *rose—*

Mr Speaker: Order. May I gently say to the hon. Gentleman that I do not have a party? Some people have known that for some time.

Helen Goodman: In order to achieve that difference in the debt to GDP ratio four years hence, we will see cuts of 25% across most Departments, four times greater than those that Geoffrey Howe tried to impose on the country in the early 1980s. Even so, the tax burden will also rise by £33 billion. We have to question the judgment of a Government who are taking that amount of money out of the British economy.

Another issue is whether the Budget will promote growth. It is clear that in overall terms it will not do so. That is clear from the revisions to the forecasts made by the OBR, which show that growth is down and unemployment is up. Given the huge cuts proposed in the public sector—we heard about the first slice yesterday to the Building Schools for the Future programme—not only will the number of public sector jobs be reduced, but the knock-on effect will be significant increases in job losses in the private sector. The Government's contention that 2 million private sector jobs can be created is just not credible. That is far more than was achieved in the 1990s when interest rates were cut aggressively and the pound depreciated by 25%. In those years, it took seven years for employment to grow by 1 million. Obviously, interest rates cannot be cut aggressively in the current situation, and it is highly unlikely we will see a depreciation of the pound against the euro, given that the European economies—our largest market—are in the state they are in. Under the Labour Government, 2.5 million jobs were created over 13 years, but that included extra jobs in the public sector, a housing boom and huge increases in financial services. The Government are now putting forward a prospectus that is simply not tenable. The argument that we have to attend to the level of the deficit because private sector investment is being crowded out by the public sector is also not credible, given that the economy has 4% spare capacity.

I turn to the measures in the Bill. On corporation tax, the coalition Government are cutting the rates—this is a long-standing pattern with the Tories—while cutting the allowances. What will that do for growth? How will that enable the economy to be rebalanced in the way the Secretary of State for Business, Innovation and Skills says is so important? Cutting allowances for investment is bad for manufacturing. The small and medium-sized firms in my constituency, where there is a lot of engineering and small manufacturing, provide several examples demonstrating what the problems are. Over the past month, I have visited two firms that make packaging, which means they supply the retail industry. Obviously, if shops are not doing very well, those firms are not doing very well. Clearly, they need a lot of big machinery to make the packaging, and if they are to continue to have the new, up-to-date machinery to do that, they need investment allowances.

Not so long ago, I visited a building and joinery firm that also has a lot of expensive machinery that it needs to keep up to date, and it also needs these investment

allowances. Its contracts are largely dependent on the public sector and on schools and police stations being refurbished, so these cuts in the public sector will have huge knock-on effects in the private sector. Let us take a final example: a chemicals firm making sealant for aircraft. How will it fare with cuts to the defence budget, which is one of the budgets not being protected? Once again we have a complete picture that is totally incoherent. What the Government offer in practice and what they say they want to achieve are two completely different things.

Many hon. Members have commented on the unfairness of the low level of the bank levy and on the fact that the banks will gain more from the corporation tax cuts than they will lose from the increase in the bank levy. However, no one has asked why the bank levy is only being introduced from 1 January 2011. I would like Treasury Ministers to explain why there is a delay in the introduction of the bank levy. Surely that gives the banks a lot of time to move their assets around and avoid this tax, at which, as we all know, the financial services are particularly adept.

The Exchequer Secretary to the Treasury (Mr David Gauke) *indicated dissent.*

Helen Goodman: The Minister shakes his head. They clearly do not know the answer.

The Conservative-Liberal coalition cannot agree on its environmental policy either, which is presumably why, rather than acting on environmental taxes, we now have yet another commission to look into the climate change levy. Once again, therefore, a potentially progressive measure is being put on the backburner. We do not know when it will happen. We do not know when we will see progress on it.

Many hon. Members have spoken about the unfairness of VAT. The Government claim that they had no choice, but of course they had a choice, and they have made it. Their choice has been to change the national insurance regime and replace the increase in national insurance with an increase in VAT. However, one of the things that the Government will not admit is that VAT is also a tax on jobs. VAT also drives a wedge between the cost on employers for the goods and service that employees buy, and what they pay for them, so the notion that we can have an increase in VAT without seeing an impact on the number of jobs in the economy is yet another fantasy.

The Government have not explained what they are doing about the lower rate of VAT, on essentials, and many Opposition Members would like some clarification on that.

The third and final issue that I would like to discuss is fairness in the income tax and benefits system. The Liberal Democrats say that raising the personal allowance is their major attempt to be fair to poor people. The attempt is being made, but it has not produced the upshot that the Liberal Democrats are looking for. Rather, it has failed, because they have not taken account of the interaction with the tax credit reductions and the cuts in welfare benefits.

The distribution figures on page 66 of the Red Book purport to show what the position in the Budget is. However, a day or so later, we all discovered that chart A2, entitled "Impact of all measures as a per cent of net income by income distribution", in fact included not just the measures taken by the Chancellor of the Exchequer in announcing his June Budget, but the measures taken previously by my right hon. Friend the Member for Edinburgh South West, which were jumbled up with them. When those figures were stripped out and separated by the Institute for Fiscal Studies, we could see that the distributional impacts were totally different. Whereas my right hon. Friend's Budget took less than 0.5% from the poorest and almost 7% from the richest, the June Budget took 2.5% from the poorest and 0.5% from the richest, so the claim of fairness is completely fraudulent.

Ms Angela Eagle: Has my hon. Friend also noticed that, mysteriously, the tables in the Red Book to which she has referred stop in the financial year 2012-13, which as it happens—I am sure that this is purely coincidental—is just before all the cuts in the public sector happen?

Helen Goodman: My hon. Friend is absolutely right. The major cuts in benefits—in housing benefits, tax credits and benefits affecting families—come in the two final years.

The other thing that Members on the Government Benches simply do not seem to understand is the impact of the changes on work incentives. The Government say that they want to promote a climate for growth. One would think that if they were trying to promote a climate for growth, they would improve work incentives. The Government are about to test to destruction the theory that simply cutting benefits will improve work incentives. That is illustrated in another table in the Red Book—the Red Book is, I have to say, a rather useful document—which shows the changes in the marginal deduction rates. That table shows that almost 100,000 people will see increases in their marginal deduction rates as a result of the Budget—that is, a worsening of their incentives.

The level of transparency in the document is totally inadequate, and it has been extremely difficult to get information out of the Government. However, in conclusion, I would like to ask: what is the balance of risk that the British economy now faces? Is it spiralling inflation or is it deflation? The choice that the Government have made is far more likely to push us towards deflation.

Before he sat down, the Chancellor or the Exchequer said that the richest should pay the most and that the vulnerable would be protected in the Budget. The Government have failed every test. They have not been fair, they have not promoted growth, they are raising far too much money and this Budget will fail the nation.

12.15 am

Gavin Shuker (Luton South) (Lab/Co-op): Thank you for calling me, Mr Speaker. I am constantly amazed by this Chamber. I had had ambitions to speak in this debate today, but I now discover that it is tomorrow—[Hon. Members: "No, it's still today."] Of course it is not tomorrow; it is still today. That is another surprise. I shall keep my remarks characteristically short.

We have been looking at two opposing risks in the debate today. The one that has been mentioned most by those on the Government Benches is that we would find

[Gavin Shuker]

ourselves in a debt crisis as a result of a lack of confidence in the cuts that we are making. I might have a different view from those on the Government Benches. The other risk is that we will cut too deeply and take out investment that would otherwise go into growing our economy. To remove the bulk of the structural deficit, as the Government have chosen to do, reflects one of those positions very strongly. However, it does not reflect the fact that we must walk a path between those two risks. We must find a way.

I was pleased to stand for Parliament on a manifesto commitment to reduce the deficit by half over four years of the next Parliament. That struck me as a good route to take between those two risks. To go further than that, as the Government are choosing to do, is ideological. We all have different ideologies—I understand that—but at a time when risk is such an important aspect of the debate, not to recognise that fact is deeply worrying. Today, we have been talking about VAT, capital gains tax and insurance tax. There is one other tax that I would like to talk about tonight.

Jim Fitzpatrick (Poplar and Limehouse) (Lab): My hon. Friend makes the good point that those on the Government Benches are offering an alternative view on the Finance Bill. However, we have not heard very much from them for a considerable period of time. Does he think that they have run out of arguments to defend their position, or that we are actually winning the arguments and that they will vote with us in opposing the Bill's Second Reading tonight?

Gavin Shuker: I thank my hon. Friend for that intervention.

I represent the east of England in my constituency of Luton South, and there is another tax that will have profound implications for my constituents. It is the change in national insurance. I am one of only two Opposition MPs representing the east of England and, as of Budget day, I represent part of what the Government now call the greater south-east. I am sure that hon. Members can imagine how delighted I was to receive that accolade but, having never heard of the greater south-east, and given that I live there, I decided that I should find out more about it.

I learned that, contrary to the coalition's view that our area is so affluent that, even in the most serious downturn of the past 60 years, it needs no Government support, it houses some of the most deprived wards in our country. It should be recognised, as some on the Government Benches have chosen to do tonight, that the inequality within regions can be as great as the inequality between regions. For example, the Dallow ward in my constituency stands in stark contrast to Elstree, one of the most affluent wards in the country, through which I pass every day on my commute to Parliament. Both are in the greater south-east.

I have also learned that, of all the regions in this country, the greater south-east is the most likely to have vital infrastructure projects shelved. Given the VAT rise and the other measures in the Bill, this will have a really profound effect on the inhabitants of the region. Investment in infrastructure is a far better way of kick-starting economies than cheap, short fixes and making cost savings. Indeed, the independent Office for Budget Responsibility accepts that growth projections must be downgraded as a result of the coalition's plans.

Most importantly for the people living in my constituency, I have learned that if an entrepreneur wanted to start a new business in the greater south-east, they would find themselves some £50,000 worse off than if they had started their business elsewhere. Let us be clear about the impact. For my constituents in Luton South, that means that moving just two stops up the train line or two junctions up the M1 would effectively give them a £50,000 golden hello for starting up. This Government would deprive our region and our town of new jobs and businesses, and fresh opportunities for growth.

Rising unemployment often hits the poorest and the youngest hardest. Indeed, my right hon. Friend the Member for Tottenham (Mr Lammy) spoke passionately about his experiences of growing up at a time when he faced a double whammy of weak growth and spending cuts, along with increased taxation, and he pointed at the profound effects on the local economy—not just in the short term, but in the long term as well. All things being equal, who would not want to establish their business within a few miles of their own home? Who would not want to employ people from within their own community?

These plans are a missile aimed at the heart of the recovery in the east and in Luton South. As glamorous as "the greater south-east" sounds, I simply have to tell Government Members that the continued membership of this region simply does not serve our constituents. Given a choice, I would like to continue to be a Member representing the east of England.

Dr Thérèse Coffey: Speaking as a fellow Member from the east of England, and one representing Suffolk Coastal, I am finding it difficult to understand the hon. Gentleman's argument that we are disincentivising the growth of employment, given that we have reduced the threshold for employers' national insurance. Surely that provides an incentive, not a disincentive. I would appreciate some further clarification on why we are disincentivising employment.

Gavin Shuker: I thank the hon. Lady for her intervention. I do not want to give a geography lesson here, but the point I am making is that there is disparity within a region, as some areas are more affluent than others. That applies locally as well as regionally, and some parts of regions are much closer to other regions. For example, in Luton South, we have a particular issue about bordering an area that will not be affected by the £50,000 incentive I mentioned for starting a business.

Several hon. Members *rose—*

Mr Speaker: Order. Before he continues, let me say to the hon. Gentleman that the issue of regional similarities—or, indeed, for that matter, disparities—is a matter of interest, but it is not relevant to the matters in the Bill. The hon. Gentleman is rightly passionate about his own area, but I know that he will want to relate his remarks to the Bill. He has a considerable choice between corporation tax, capital gains tax, value added tax, insurance premium tax, pensions, income tax and no fewer than five schedules, the second of which has five parts. I think that that will keep him happy.

Gavin Shuker: Thank you, Mr Speaker. In conclusion—

Mr Kevan Jones: Will my hon. Friend give way?

Gavin Shuker: Of course.

Mr Jones: One of the economic drivers in Luton is the success story of Luton airport. Does my hon. Friend agree with me that the Budget's proposals to increase insurance premium tax from 17.5% to 20% is going to have a terrible effect on that success story, as Luton airport employs huge numbers of people in his constituency?

Gavin Shuker: I thank my hon. Friend for his characteristically timely intervention, rightly making the case that within these green pages tonight are a series of measures that will have a profound effect on each individual constituency. In Luton South, I could pick out the particular effect on the airport and I could talk more about our position within the UK. In each community and in each constituency, we will have to go back to our constituents and explain why we voted either for or against the measures in the Bill. I for one will vote against the Bill, and I would like to encourage Government Members from the east of England to do so as well. If they do, they can go back to their constituents with their heads held high and say that they stood up for their constituents and their region on a night like tonight.

12.24 am

Barry Gardiner (Brent North) (Lab): Albus Dumbledore in "Harry Potter and the Chamber of Secrets" said:

"You see, Harry, it is not our abilities in life, but our choices that tell us who we really are."

When my right hon. Friend the Member for Edinburgh South West (Mr Darling) rose in this Chamber as Chancellor at 12.32 pm on Wednesday 24 March, he could look back on a year in which global recession had not turned into depression, in which unemployment, although too high, was less than had been predicated a year earlier when the recession began, and in which the United Kingdom was now infinitesimally but incrementally moving from recession to GDP growth. He faced tough choices: how to bring borrowing down without strangling growth, and how to reduce the deficit without crippling front-line public services and punishing the most vulnerable people in our country. Those choices were not easy, but they were necessary.

When the current Chancellor, the right hon. Member for Tatton (Mr Osborne), rose in this Chamber at 12.33 pm on Tuesday 22 June, he did so against the background of a further quarter of small but positive growth and a report from the Office for Budget Responsibility that predicated £30 billion less public sector borrowing. Despite that improved situation, however, he said that he did not face any choice. He said:

"This is the unavoidable Budget."—[*Official Report*, 22 June 2010; Vol. 512, c. 166.]

No; this is the Budget of Tory masochistic fantasy. Right-wingers are delighted with what they see, in this Finance Bill, as the arms of the state being rolled back. They are delighted by the thought of 600,000 jobs being cut from the public sector. They are salivating at the thought of spending less on welfare at the very time when they cast 600,000 more people into the welfare net. Where is the sense in that? Oh yes, this is a Finance Bill of choice for the Tories, and in life it is

"our choices that tell us who we really are."

Ann McKechin (Glasgow North) (Lab): Is it not ironic that one of the main beneficiaries of this particular Budget will be our banks, which are among the biggest payers of corporation tax in the country? The Government have chosen not to tax bankers' bonuses this year, despite clear public outrage at the level of bonuses that are still being paid.

Barry Gardiner: Not only has my hon. Friend made a perfectly apposite point, but she has made it better than I could ever possibly do. I can only agree with her.

Jim Fitzpatrick: If my hon. Friend is going to be so complimentary to those who intervene, how can I resist? Will he explain his perception that this is a Budget of choices? Is he going to refer to the analysis by the Institute for Fiscal Studies, according to which it is a Budget of choices and the Government made the wrong choices, or is this entirely his own analysis?

Barry Gardiner: My hon. Friend is absolutely right. The Institute for Fiscal Studies has made some damning comments about the regressive nature of this Finance Bill.

Should it be passed in the House of Commons, the Bill will be unavoidable in its own way. Consider the carer, middle-aged herself but looking after her ageing, frail parents. She will not be able to avoid seeing her carer's allowance cut by £90 a year over the next five years. Consider the family of five living in Brent, already struggling to find the difference between what the landlord insists is a fair market rent and their housing benefit payments each month. They will not be able to avoid eviction as the Finance Bill cuts housing benefit. Consider the severely disabled sufferer from Crohn's disease. She will not be able to avoid losing £300 a year as the Bill cuts support year on year.

Consider the young couple starting their life together, moving into and trying to furnish their flat. They will face the costs of conveyancing solicitors, new fridge, new washing machine, new carpets, new sofa, new telly. This is certainly the unavoidable Finance Bill for them, with an extra 2.5% on every item. It is the unavoidable Finance Bill for the poor, for the disabled, for those on housing benefit, and for carers. A clear choice has been made by the Conservatives to cut an extra £40 billion on top of the £78 billion announced already.

Dr Sarah Wollaston (Totnes) (Con): I would like to ask the hon. Gentleman whether he realises why all these very sad cases are unavoidable. It is because we have a national debt of £1 trillion. I was looking at what that means. If every pound were a second, that would be 31,546 years and we would all be sitting here for a very long time.

Barry Gardiner *rose*—

Mr Speaker: Order. Before the hon. Gentleman responds to that intervention and resumes his speech, I remind him that he is perfectly entitled to talk about vulnerability

[Mr Speaker]

if he so wishes, but he must relate it to the matters within the Bill and he has an extensive choice from which to select.

Barry Gardiner: Thank you, Mr Speaker. I am tempted to take up the length of time that the hon. Lady mentioned, but I fear that the House needs to come to a close. A clear choice has been made by the Conservatives to cut an extra £40 billion on top of the £78 billion announced in March. They have made a clear choice to cut £11 billion out of tax credits and benefits. A clear choice has been made by the Liberal Democrats not just to drop the VAT bombshell that they warned of, but to act as navigators and pathfinders for the Conservatives to deliver it perfectly targeted. That regressive tax does the most damage to the poorest. It is regressive, not progressive.

"We will not have to raise VAT to deliver our promises",

said the Deputy Prime Minister before the election. Indeed not—the Liberal Democrats will have to raise VAT to deliver the Tories' promises. What an apology for a fig leaf.

John Woodcock (Barrow and Furness) (Lab/Co-op): With regard to my hon. Friend's list of all the people who will not be able to avoid paying the increase in VAT, is he aware that many community halls in my constituency and across the country will also be forced to pay it as they are not able to claim exemption from VAT owing to the arrangements that they face?

Barry Gardiner: My hon. Friend is entirely right. That is a real problem for clubs and small businesses that are not able to reclaim VAT back. It is yet another tax on business.

Ms Angela Eagle: Does my hon. Friend share my astonishment that Members on the Government Front Bench seem to be ignorant of the fact that VAT has to be paid by charities?

Barry Gardiner: Not in the slightest. Why should I be surprised? It is what I would expect of Government Front Benchers.

The Child Poverty Action Group has passed its judgment on this "unavoidable" Finance Bill:

"This is a disappointing budget for child poverty and increases the risk of the government failing to meet its 2020 goal of ending child poverty."

It says:

"The increase in VAT is a regressive measure which will impact hardest on poor families."

Robert Caro, the great biographer, once wrote:

"It is said that power corrupts: what is more true is that power reveals."

With the Liberal Democrats, power has certainly revealed. No longer can anyone be excused for thinking that the Lib Dems are progressive and principled. They are regressive, ruthless and prepared to sell out any policy for a whiff of office.

In the course of debate over the past week, Government Members have repeatedly asked Labour Members what we would do. They have suggested that they have taken the unavoidable and necessary action, whereas we would have taken none at all. So I refer them to the Red Book in March, where my right hon. Friend the shadow Chancellor set out the swiftest and most straightforward deficit reduction plan that then existed in the G7.

The plan proposed: £3.5 billion of savings by freezing public sector pay—but that of the better paid, rather than of the poorest public sector workers; £1 billion of savings from public sector pensions; £18 billion of savings to capital spending; £11 billion of savings from Whitehall reform; £19 billion in new tax rises; £14 billion of savings from reduced benefit payments as unemployment came down; and £5 billion of savings from programme cuts.

Mr Kevan Jones: The right hon. Member for Uxbridge and South Ruislip (Mr Randall) is chuntering from a sedentary position and trying to intervene on my hon. Friend. Does my hon. Friend agree that the people who are going to be affected by the VAT increase will be those in the retail trade, in which I understand the right hon. Gentleman has an interest?

Barry Gardiner: My hon. Friend is entirely correct. I believe that the point may have been made earlier. *[Interruption.]*

Mr Speaker: Order. Before the hon. Gentleman continues, may I gently say to the right hon. Member for Uxbridge and South Ruislip (Mr Randall) that we do not need sedentary interventions from him and we do not want to get into a general debate about the merits or otherwise of Randalls as a department store, interesting though that may be?

Barry Gardiner: Mr Speaker, I will forgo that offer, tempting though it may be. However, I will try to respond to my hon. Friend the Member for North Durham (Mr Jones), who is entirely correct to say that retailers will also suffer from this measure. Large retail operations, such as supermarkets, will particularly suffer because they have huge costs to meet in changing their tills over to cope with the VAT changes.

We made our choices too. They were hard choices, but they were not regressive choices, and they protected the poorest and the vulnerable. We chose to raise duty on cider to the same level as that on other alcohol. The Liberal Democrats opposed that choice in March—in fact, it was the only choice that they opposed then. Their choice is to reverse that duty in this Finance Bill, to put 8% less duty on cider and to increase VAT by 2.5%; scrumpy today, child poverty tomorrow is the Liberal Democrats' great rallying cry for the 21st century. This is their tax priority for the new politics of collaboration. Albus Dumbledore was right: it is not our abilities in life but our choices that tell us who we really are. My choice is to oppose this pernicious Bill.

12.37 am

Owen Smith (Pontypridd) (Lab): It is

"A coalition of the heartless, the clueless and the confused".

Those are not my words—as a Member new to the House I would not be so bold—but those of the Nobel laureate economist, Paul Krugman, when describing

another right-wing cabal, in the US, and its attempt to slash welfare spending instead of increasing growth. His description might serve well to describe and characterise the callous collaborators on the Government Benches, and the war on welfare that they are launching tonight with the Finance Bill.

The coalition is heartless in its disregard for how VAT and the unprecedented spending cuts that we anticipate will hit the poorest in our society; it is clueless in the wrong-headed belief that we have heard repeated so often tonight that these savage public sector cuts will somehow liberate private sector surpluses, entrepreneurialism and growth in the economy; and it is confused. There is confusion at least on the part of the Liberal Democrats as to how they managed to enter the political fray at last, only to find themselves, as an old soldier in my constituency described it last week, on the side of the Axis powers. *[Interruption.]* I thought that it was pretty funny.

I do not, however, want to dwell on the heartlessness of the measures included in the Finance Bill, because so many people have done so with such eloquence this evening. I think that the public will be able to judge that heartlessness for themselves when they see the raising of VAT on essential goods for the poor, and Government Members cheering, as they did during the Budget speech, measures such as the decision to scrap the health in pregnancy grant designed to tackle malnourishment in pregnant mothers in the poorer sectors of our society. Opposition Members consider such provisions the hallmark of a civilised society, but Government Members clearly think they are a burden on economic efficiency.

I do not really want to talk about the heartlessness. I would rather talk about the cluelessness. [HON. MEMBERS: "You already have."] Yes I have, and I am going to do it again in a minute. We have heard lots of cluelessness this evening, mostly inspired by the primer on Milton Friedman that Government Members have all obviously read recently, and we have heard reiterated by the hon. Member for Woking (Jonathan Lord) and various others. The idea is that if we cut the public sector, which allegedly squeezes out private sector entrepreneurialism and growth, we somehow stimulate the private sector, and that leads to a flourishing of entrepreneurialism.

Stephen Pound (Ealing North) (Lab): Does my hon. Friend agree that implicit within the Budget, the decapitation of Building Schools for the Future has resulted in the private sector not being able to mop up a pool of labour? That private sector has in fact been shot in the back of the head, driven out into the country and dumped in a lay-by.

Mr Speaker: Order. I would not want the hon. Member for Pontypridd (Owen Smith), who has made an auspicious start, to stray from the path of virtue. May I just say to him that it is a good rule of thumb to listen with great interest and enthusiasm to the hon. Member for Ealing North (Stephen Pound), but to recognise that sometimes his interventions have absolutely nothing to do with the matter under discussion?

Owen Smith: In this instance, I beg to differ. My hon. Friend's intervention absolutely speaks to the case, because the philosophical underpinnings of what we hear from Government Members is that somehow we have a great dichotomy in our economy. The public sector is bad, of course—non-jobs, as I heard one Local Government Minister describe them recently. Well, many people in my constituency and elsewhere across the country rely on such jobs to feed their families. Private sector is, of course, good, and the thing that we all want to encourage. The construction industry is a wonderful example of the symbiosis between the two parts of our economy. If you cut one the other will bleed, and we will see £50 billion cut from the construction industry. The construction industry accounts for 10% of GDP, and that £50 billion will have a big impact right across the economy. So I think that private and public are linked.

The theory that we are testing now is the one that we have allegedly seen work in Canada and Sweden, whereby the Government make cuts and the economy flourishes. In those countries we saw a long-term reduction in spending on public sector vital services.

The other key lesson from those other examples of deficit reductions is that the conditions need to be right. Investor and consumer confidence have to be growing, and there has to be evidence of underemployed private sector capital. Exporters must be ready to grow and foreign markets must be ready to buy. Get it wrong and cut too deep when the conditions are unfavourable, and we have on our hands not a success story, but depression and bankruptcy. The historical examples of such failed experiments form a long and ignoble list, and Government Members would do well to read the history books and learn from them.

Stephen Pound: On that exact point about the Canadian experiment, does my hon. Friend agree that the conditions that prevailed in Canada—a massively economically expanding neighbour, in the same free trade association, to the south—are not remotely met here. Any comparison between this country and Canada, or even the Swedish model, are specious and possibly even mendacious.

Mr Speaker: Order. I am trying to help the hon. Member for Pontypridd and other hon. Members. I feel sure that is only a matter of seconds before he says something about corporation tax, capital gains tax, value added tax, insurance premium tax, pensions, income tax or any of the five schedules to the Bill.

Hon. Members: He has nothing to say.

Owen Smith: I have plenty to say. *[Interruption.]*

Mr Speaker: Order. I have set the hon. Gentleman a bit of a test, and I want to hear him.

Owen Smith: I welcome your guidance, Mr Speaker. Many Labour Members have tried to say this key thing today, but I will try to encapsulate it. There are various items and taxation measures listed in the Bill.

Mr Kevan Jones: Pontypridd is not dissimilar to North Durham, both being ex-mining communities with rural areas and, very importantly, a Labour MP. Does my hon. Friend agree that the changes to VAT in the Bill will have a disproportionate effect on many of his constituents who are on low incomes or benefits,

[Mr Kevan Jones]

and that that is not fair, when some of the wealthier parts of the country, such as Uxbridge, have been let off and will not be affected?

Owen Smith: I thank my hon. Friend for that intervention. He is entirely correct that my Pontypridd constituency will be badly affected—*[Interruption.]* Sorry, I cannot make out the mumblings coming from those on the Government Benches. Equally, however, if the growth projections from the OBR and the Treasury leak were likely to offset the impact of those VAT increases, and if people were more likely to be in work in my constituency as a result of the measures in the Bill and the Budget more generally, I would be less concerned about the VAT rises.

Some specific comments have been made about the VAT rises and other measures in the Bill. Only this week, 125 chief finance officers of some of Britain's biggest companies reported that their confidence in growth was at a 12-month low, with two thirds of them warning explicitly that the measures in the Bill would damage their companies and risk a double dip recession—hardly creating the conditions for them to employ more people. In manufacturing, Deloitte's global manufacturing competitiveness index also anticipates decline, and in the service sector, the purchasing managers index—an established barometer of health in that sector, as the right hon. Member for Uxbridge and South Ruislip (Mr Randall) will know—reported last month the largest drop in business confidence in the last 14 years of its history.

Where are we going to grow, and how are we going to export? Government Members have cited other parts of the world where we should look for our examples. The US has sometimes been mentioned, and it was an engine of growth in the last century, but the statistics there offer us no comfort, with non-farm payroll reporting last week just 83,000 private sector jobs created. That is important because the Government expect us to believe that through the measures in the Finance Bill they will create 2.5 million jobs in the five-year period following the Budget. I have been researching that important and bold claim, and I received an answer from the House of Commons Library suggesting that only once in any five-year period since 1970 has the British economy created more than 2.5 million private sector jobs, the period in question being 1980-85. That was a statistical anomaly, however—the result of wholesale privatisation. Perhaps that points us to a secret or hidden agenda in the Government's plans—another major round of privatisations.

My suspicions about that may be shared by someone who was, until recently, one of the Government's allies—Sir Alan Budd, formerly of the Office for Budget Responsibility. I have no idea whether his hasty exit from the OBR is prompted by unhappiness about the new office perhaps having its integrity compromised, but I point Members to an interview that he gave a couple of years ago, which is of relevance to the Bill. He was asked whether he felt any discomfort when he was advising the Thatcher Government that perhaps some of the decisions he was making as an economist—*[Interruption.]*

Mr Speaker: Order. I am sorry to have to interrupt the hon. Gentleman. I know that the hour is relatively late—not exceptionally late, but relatively so—but far too many private conversations are taking place in the Chamber, which is very discourteous to the Member addressing the House. If people do not want to listen to the speeches—I address this to all Members—they are under absolutely no obligation whatever to stay in the Chamber, and we will manage without them. But if they are going to stay in the Chamber, they will show some basic courtesy and respect.

Owen Smith: Thank you, Mr Speaker.

Stephen Pound: On the exact point that my hon. Friend was so tellingly making, he will be aware that in clause 4 we see an increase in insurance premium tax from 5% to 6%. Does he agree, particularly as an MP from a constituency that has given so much to energise the nation and keep us warm over the years, that that could have an appalling effect on pensioners who have standard gas central heating contracts? Is there not, in clause 4, an extremely unpleasant sting in the tail of the Bill?

Owen Smith: I cannot but agree wholeheartedly. I am sure that that is an apposite intervention. Throughout the Bill and the wider Budget, there are measures about which all the most vulnerable people in our society should be concerned. My constituents are deeply worried about the measures affecting not just pensions, but, equally, housing benefit, the most pernicious effects of which we will not see until much later in this Parliament, and VAT. The VAT increase will not be introduced until next year, but when it is, it will bite on ordinary working people throughout my constituency and throughout the country.

Jim Fitzpatrick: I am very grateful to my hon. Friend for giving way. He is being most generous to Opposition colleagues—and perhaps some Government Members will want to engage in debate, too. Does he agree that the changes to housing benefit in constituencies such as mine—Poplar and Limehouse—will have a very damaging effect and could ultimately lead to poorer people being driven out of the centres of our great cities and banished to the suburbs? Surely that will not result in a cohesive society involving all parts of our community.

Owen Smith: Again, I wholeheartedly agree. I am not sure what is worse, that measure or the suggestion—the rehash that we heard only last week—that people should get on their bikes, get out of places such as Pontypridd and go to other parts of Britain where, allegedly, work will be created through the magical 2.5 million jobs that we are going to see each year.

I am about to finish, and I shall do so on a highly topical note, by returning to my quotation from Sir Alan Budd's interview for a documentary programme some 10 years ago. He was asked whether he was worried that economists such as himself were being used to cover the political motives of the previous Tory Administration, and in response he said:

> "The nightmare I sometimes have, about this whole experience, runs as follows. I was involved in making a number of proposals which were partly at least adopted by the government"—

the Thatcher Government—

> "and put in play by the government. Now my worry is...that there may have been people making the actual policy decisions...who never believed for a moment that this was the correct way to bring down inflation.

They did, however, see that it would be a very, very good way to raise unemployment, and raising unemployment was an extremely desirable way of reducing the strength of the working classes—if you like, that what was engineered there in Marxist terms was a crisis of capitalism which re-created a reserve army of labour and has allowed the capitalists to make profits ever since."

I wonder whether that might be why Sir Alan Budd has decided to leave the service of the current vintage of Tories.

12.38 am

Chris Williamson (Derby North) (Lab): There has been a degree of hysteria from Members on the Con-Dem Benches this evening. It might be the lateness of the hour, or there might be another reason, but I have been disturbed by the amount of sneering and laughing by Government Members at the serious points that Opposition Members, who are concerned about the Bill's implications for their constituents throughout the length and breadth of this great nation, have made. A little humility from Government Members, and particularly from the Liberal Democrats, would not go amiss.

The Chancellor of the Exchequer, the Chief Secretary to the Treasury and all Government Members would benefit from some counselling from Gamblers Anonymous, because they are gambling massively with the British economy. Although history teaches us that their gamble is doomed to fail, they are ploughing on regardless—just like a wretched compulsive gambler betting on a course of action with incredibly long odds, in the vain hope that it will turn out all right in the end.

Crossing fingers and hoping for the best is not a credible economic prospectus. The Chancellor is pursuing the same old stale, worn out and inept Tory economic policies that have failed the country before and are set to fail it again. However, the Con-Dem coalition is not betting on a horse, but playing with the lives and livelihoods of the British people. Just like its Tory predecessors in the 1930s, the 1980s and the 1990s, this Con-Dem coalition is, yet again, making the wrong choice. It is risking the fragile recovery that the Labour Administration worked so hard to secure. *[Laughter.]* Yes, they like laughing—that is typical of the Con-Dem Benches.

The fact is that the Government's corporation tax proposals provide inadequate support for businesses. The Chancellor's very own Office for Budget Responsibility predicts that his Budget will result in lower growth not just this year, but next year as well. How will that help business? Are Government Members laughing at that? If growth declines, that will not help business at all. On top of that, the OBR says that unemployment will be caused. The OBR's predictions remind me of two notorious Tory maxims coined by a previous Chancellor of the Exchequer and a former Prime Minister. One said that

"unemployment…is a price worth paying"

and the other, John Major, said:

"If it isn't hurting, it isn't working."

However, as the shadow Chief Secretary pointed out earlier, the situation is even worse than is indicated by the OBR's predictions. The number of people who will lose their jobs will be far higher than the figures that have surfaced so far.

The Chief Secretary to the Treasury says that Opposition Members are in denial. I put it to him and to other Government Members that they are in denial. It is their policies—those failed policies—that led to interest rates that averaged 10% during the Tories' 18 years in power and that hit 15% on one occasion. I say to Government Members that they are in denial. Their failed policies, which they want to pursue again, resulted in record numbers of repossessions and millions of people ending up in negative equity. That, in turn, had a massive impact on the construction industry and the ancillary trades that rely on a buoyant housing market.

We all remember how the failed policies now being pursued again by Government Members resulted in unemployment that exceeded 3 million. Government Members are in denial about the fact that manufacturing was decimated by the policies that they are pursuing. They smashed the coal industry, nearly wiped out the steel industry, almost destroyed the British car industry and torpedoed British shipbuilding. They are in denial because they want to destroy the very instruments that will help the recovery, by undermining the regional development agencies and by taking away the loan to Sheffield Forgemasters, which would have had such a big impact in assisting the resurgence of the nuclear industry in this country.

The Con-Dem coalition is in denial because of its unrealistic expectation of growth in respect of the exports that it expects to achieve while the worldwide economy is in a fragile state.

Stephen Pound: My hon. Friend's constituency is rightly known and admired far and wide for the quality of its Rolls-Royce engines. Has he done any research into the possible effect on demand for aero engines of an increase in insurance premium tax from 17.5 to 20%? Does he share my fear that that will dampen demand for travel and, ultimately, for the wondrous engines produced in his constituency?

Chris Williamson: I am very proud to have Rolls-Royce in the constituency adjacent to mine, Derby South. Indeed, many of my constituents work at Rolls-Royce, a company renowned for its excellence. My hon. Friend is right: the insurance tax rise is bound to have an impact. The cancellation of the loan to Sheffield Forgemasters will also have a big impact, because Rolls-Royce is seeking to diversify into the nuclear industry—to expand its operations in that regard—and was hoping to purchase equipment from Sheffield Forgemasters, but it will now be forced to look abroad. That is a direct result of the policies of Con-Dem Members, who should hang their heads in shame.

John Woodcock: Does my hon. Friend agree that this is not just about the double whammy facing Rolls-Royce? I agree with him wholeheartedly about the potentially catastrophic effect on the civil nuclear supply chain of cancelling the loan to Sheffield Forgemasters, but there is also the restriction on capital allowances, which will hit Rolls-Royce as it will hit BAE Systems in my constituency and many other manufacturers across the north of England and the whole country who will be affected through the potential loss of jobs and loss of ability to export.

Chris Williamson: My hon. Friend is right. Conservative Members are reverting to type. We saw what they did—I have outlined some of the implications—when they

[Chris Williamson]

were last in power. The policies that they are pursuing now will have exactly the effect that he describes in undermining manufacturing, because they are the enemy of manufacturing industry in this country.

There is an alternative. Historical precedent proves that investing in the economy at a time of economic fragility is absolutely the right course of action. Government Members should look at their history books. We had a lecture from the hon. Member for North East Somerset (Jacob Rees-Mogg), who referred to the 1930s. I refer him and other Government Members to Roosevelt's new deal. Roosevelt demonstrated that by using the power and instruments of the state to invest in the economy, Government could get the economy moving again and put people back to work. Do not forget that when Roosevelt came to power, 25% of the American people were out of work, and his new deal put them back into work. By contrast, in this country we were pursuing a deflationary policy that resulted in millions of people losing their jobs and remaining unemployed for many years.

Indeed, President Obama agrees. He wrote to all the G20 leaders—

Mr Speaker: Order. May I gently say to the hon. Gentleman that we cannot have a general discourse on the merits of the policies of respective American presidents, however strongly he and others feel about those matters? I am sure that it is only a matter of seconds before he returns to the substance of the Bill.

Chris Williamson: Thank you, Mr Speaker. I merely wanted to make a brief reference to President Obama's letter. I think that Government Members are familiar with it. I referred to it in a previous speech, and I will therefore move on.

From the historical precedents to which I have referred, and indeed the precedent of the Attlee Government in 1945, it is clear that by investing in our economy and not taking the course of action that the Government are taking in relation to VAT, corporation tax and the insurance premium tax, we can secure greater opportunity for recovery. If we can put people back to work by investing in our economy, that will ensure that the tax take is increased.

Mr Kevan Jones: Does my hon. Friend agree that, in his constituency, the VAT increases in the Finance Bill will have a disproportionate effect on the poorest individuals? Will that not hamper not only the recovery but the personal circumstances of those individuals?

Chris Williamson: I am grateful to my hon. Friend. Certainly the increases will impoverish countless people living on modest incomes in my constituency. That is very clear. The point that I was trying to make, though, was that growth is the key to recovery, and by investing in our economy we can secure that growth.

Lilian Greenwood: Has the growth of the retail sector in Derby made a significant contribution to the city? I know that the Westfield centre there seems to have attracted many people. Does my hon. Friend share my concern that the increase in VAT will have—*[Interruption.]*

Mr Speaker: Order. Members are not helping the hon. Lady. May I say to her that it is entirely understandable that she looks behind her, but that she must face the House?

Lilian Greenwood: Does my hon. Friend share my concern about the impact that the VAT increase will have on the retail sector? I understand from a recent report that 77% of retailers felt that it would have a negative, quite negative or very negative impact on their sales, potentially leading to a 1.6% reduction in retail staff, 47,000 employees losing their jobs and more than 9,000 stores closing—

Mr Speaker: Order.

Chris Williamson: I agree with my hon. Friend. We have seen a retail-led regeneration of the city centre in Derby, and the increase in VAT will certainly have a negative impact. Already retailers are struggling in the difficult economic circumstances with which they are confronted, and clearly an increase in VAT is bound to have a negative impact.

What we wanted to achieve, and what we believe is the right way forward, is the creation of an economic virtuous cycle through investment in our economy. That would lead to more jobs, which would increase tax and national insurance income, which in turn would lead to the opportunity for more investment, and so on. The Government are pursuing a course of action that will lead to an economic vicious circle. The cuts in investment will result in more unemployment and a reduction in the tax take, resulting in more cuts and more unemployment, and so on. The VAT increase will clearly hit the poorest people in our community. The Treasury figures say that, as do the Institute for Fiscal Studies and the National Institute of Economic and Social Research.

What I find astounding is the breathtaking hypocrisy of the Liberal Democrats. On 7 April the Deputy Prime Minister said:

> "Our plans do not require a rise in VAT. The Tory plans do. Their tax promises on marriage and jobs may sound appealing. But they come with a secret VAT bombshell close behind."

It is little wonder that support for the Liberal Democrats in the latest YouGov opinion poll has slumped to 15%. Furthermore, another YouGov poll last month showed that 48% of Liberal Democrat voters were going to abandon the party as a direct result of its supporting the Tories on the issue. Even the Prime Minister said last year that VAT was regressive and hit the poorest hardest. He went on:

> "It does, I absolutely promise you."

The Chancellor of the Exchequer told *The Times* on 10 April that the Tories had no plans to increase VAT this year.

The Chancellor keeps telling us that we are all in it together, but there is a world of difference between the impact on privileged former Bullingdon club members, such as the Chancellor and the Prime Minister, and the families on modest incomes in my constituency who will have their tax credits cut—*[Interruption.]*

Mr Speaker: Order. A rather unseemly exchange is going on between the hon. Member for Nottingham East (Chris Leslie) and the Minister of State, Foreign and Commonwealth Office, the hon. Member for Taunton

Deane (Mr Browne). I would not want to find that, as a result of excessive noise, I miss out on what I am sure is coming soon, namely the peroration of the hon. Member for Derby North (Chris Williamson).

Chris Williamson: There is an even bigger difference between those privileged former Bullingdon club members and the people whom they will throw on the dole—the tens of thousands, if not hundreds of thousands, and possibly millions of people who will be thrown out of work as a direct consequence of their policies.

The Chief Secretary concluded his remarks today by saying that the Budget was tough but fair.

David Morris (Morecambe and Lunesdale) (Con): A debate that goes on till 12 minutes past one is an oddity so early in the Parliament. Call me cynical, but will the hon. Gentleman concede that the debate has just cost the taxpayers more than £200,000 to keep the House open and Members of Parliament in here, who can claim a free hotel after 1 o'clock under Independent Parliamentary Standards Authority rules? Shame!

Chris Williamson: I agree—*[Interruption.]*

Mr Speaker: Order. The fact that there is a generally convivial spirit is good, but the House must come to order because, as I said, we must shortly hear the hon. Gentleman's peroration.

Chris Williamson: I agree with the hon. Gentleman that he is cynical.

How is it fair to increase VAT when the Chief Secretary said that he would not do that? How is it fair to hit the poorest the hardest? How is it fair to cut tax credits from families on modest incomes or to scrap child trust funds, which give young people a nest egg? How is it fair to slash free school meals? How is it fair to short-change pensioners through the failure to operate tax allowances? How is it fair to blame public sector workers for the deficit and the national debt, when international bankers are at fault? Let us remember that Conservative Members resisted any additional regulation of those bankers, many of whom have more in common with Government Members than they have with Opposition Members. How is it fair to chop benefits, including the swingeing cuts to which my hon. Friends referred, for some of the poorest and most vulnerable people in the country? The shameful Finance Bill is the antithesis of fairness. That is why Labour Members will vote against Second Reading.

1.14 am

Ms Angela Eagle (Wallasey) (Lab): We have had an interesting debate. We just heard from the hon. Member for Morecambe and Lunesdale (David Morris) the most amazing reason why debate in the House should be curtailed that I think I have ever heard used in a democracy. I hope we are not going to hear more arguments that debate in the House should be curtailed because of the cost, as that seems rather odd.

I begin my response to a long and illuminating debate by adding my congratulations to those who made their maiden speeches. The hon. Member for North East Cambridgeshire (Stephen Barclay) gave an extremely entertaining speech about the history of his constituency. He told us that it was better known as the fens, which sounds a lot more exciting than its current name, which if I may say, is rather boring. He then spoke of the history of drainage in the fens and many of the issues that he is confronting as a newly elected Member. I wish him a long and happy membership of the House. He certainly made a good impression with his maiden speech.

My hon. Friend the Member for Scunthorpe (Nic Dakin) also made an extremely accomplished maiden speech this evening, paying suitable tribute to both his predecessors, Elliot Morley and Ian Cawsey. He displayed a passion for the constituency that it is now his privilege to represent. He lives there and clearly loves it, and I am sure that we will hear many more such contributions from him.

The hon. Member for Ipswich (Ben Gummer)—a chip off the old block—made a characteristically good maiden speech, as did the hon. Member for Weaver Vale (Graham Evans). The latter paid a tribute to his predecessor that Labour Members appreciated. I congratulate all hon. Members who made their maiden speeches tonight. I am not sure how many more maiden speeches there are to get through, but I have always enjoyed listening to Members' first contributions to the House. After many years of listening to such speeches, I have not lost my enthusiasm for them.

The debate was initially joined enthusiastically and with a great deal of energy, but that energy petered out on the Government side of the House halfway through the evening. Instead of the usual to and fro of debate, there was no sign of anyone on the Government side willing to stand up to defend the Finance Bill. Government Members ran out of steam and stopped participating. As the Bill goes to Committee and Report in the next couple of weeks—unusually, that will take place completely on the Floor of the House—I hope they will show a little bit more stamina than they managed to show today, when the debate was somewhat one-sided.

The right hon. Member for Wokingham (Mr Redwood), whom I no longer see in his place, is one of life's optimists. He told us that we are all far too pessimistic about the state of the economy. To listen to him, one would not have thought that his right hon. and hon. Friends on the Treasury Bench had spent the past few weeks driving down confidence in the economy with the scaremongering tactics they have been using to justify the measures in the Budget.

We then heard from the hon. Member for Dundee East (Stewart Hosie) on behalf of the Scottish Nationalists, who is a long-standing and experienced contributor to Finance Bill debates. I have served on many Finance Bill Committees with him and, as always, he brought his astute experience and forcefully expressed opinions to the debate. He was especially exercised about the increase in VAT in the Bill which, he said—I have to say I agree with him—contradicts the fairness theme that is purported to run through the Budget. He described it as unforgivable and economically foolish.

We also heard from the hon. Member for North East Somerset (Jacob Rees-Mogg) who gave us something of a history lesson and, like so many of his colleagues, foolishly raised the spectre of Greece. They really will have to stop doing that if they are to be reasonable and responsible.

One of the more interesting speeches from those on the Government Benches came from the hon. Member for St Ives (Andrew George), whose words we listened

[Ms Angela Eagle]

to with extreme care given his actions so far in tabling amendments to the Bill. Clearly, he is struggling with the VAT increase. It is worrying him. He said that he did not think the Red Book was accurate in its assessment of VAT as progressive and he raised the tantalising—for me, at any rate—possibility that he might consider amending the Budget in Committee or Report on the Floor of the House. We will certainly wait to see whether he does so, and we will look carefully at the issues that he wishes to raise.

We had a series of speeches from my side of the House, beginning with an extremely eloquent contribution from my hon. Friend the Member for Warrington North (Helen Jones), who talked about how regressive the VAT increase will be. She also said that the banks were being treated softly while industry was being treated relatively badly by the proposals in the Finance Bill.

We also heard from my hon. Friend the Member for North Durham (Mr Jones) and my right hon. Friend the Member for Oldham West and Royton (Mr Meacher), both of whom had pertinent critiques of the Budget judgment and the strategy implied by the Bill. We heard a tour de force from my hon. Friend the Member for Eltham (Clive Efford), who understandably had a go at the Liberal Democrats for their twisting and turning on VAT. He had some words to say about the Office for Budget Responsibility, which I will come back to.

We heard a superb speech from my hon. Friend the Member for Cumbernauld, Kilsyth and Kirkintilloch East (Gregg McClymont)—*[Interruption.]*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. There are too many private conversations going on and it is difficult to hear. We are getting near the end and I am sure that hon. Members can wait a little longer.

Ms Eagle: Thank you, Mr Deputy Speaker. I was just mentioning the speech by my hon. Friend the Member for Cumbernauld, Kilsyth and Kirkintilloch East—I cannot pronounce the name of his constituency very well, but it is definitely in Scotland. He made a superb speech about the political nature of economics and the attempts that have been made to hide what are basically political choices by describing them as economic imperatives that are somehow objective. He exposed what he called superstitions and myths around that whole area and demolished a lot of the arguments that the Government have been making to justify the Budget judgment in the Finance Bill. In particular, he talked with great wisdom about the paradox of Government thrift, which he pointed out is completely unlike budgeting for households. I look forward to many more such contributions from him as the Bill goes through its stages on the Floor of the House.

My hon. Friend the Member for Bethnal Green and Bow (Rushanara Ali) also made a good contribution, which I particularly welcome because I enjoyed canvassing with her during her election campaign. She is already well-loved, liked and respected in her constituency. She asked an important question that the House would do well to bear in mind as we consider the policies and legislation before us: where is the justice in the Budget measures, which will hit the poorest hardest? My hon. Friend the Member for Wansbeck (Ian Lavery) pointed out the perverse glee he perceived among Liberal Democrat and Conservative Members over the pain that will be inflicted through the Budget and this Bill. His speech demonstrated the human face of public sector workers, many of whom have found their reputations decried in the newspapers, and the jobs and the contribution that public sector workers make to our society belittled.

My hon. Friend the Member for Bishop Auckland (Helen Goodman) observed that the Budget judgments are very optimistic on jobs and, in particular, growth prospects, and she highlighted the impact on work incentives of some of the policies and Budget changes in the Red Book.

Kelvin Hopkins: My hon. Friend talks about the judgments and forecasts. I remember, some 20 years ago, the Tories' favourite forecasting organisation was the London Business School, which *The Sunday Times* gave 0 out of 10 for its forecasts because they were always completely wrong. Does she think they are wrong on this occasion as well?

Ms Eagle: Time will tell, although there is not widespread acknowledgment in the economic profession that some of the Budget forecasts are right—there is controversy about them. This will play out, however, so we will be able to see who is right in due course.

My hon. Friend the Member for Luton South (Gavin Shuker) talked about the balance of risk in the Budget and the worries about problems with infrastructure investment, the fact that it is being cut in his constituency and the implications for employment incentives. My hon. Friend the Member for Brent North (Barry Gardiner), with his characteristic ingenuity, managed to bring Harry Potter into our Budget deliberations, pointing out that our choices define who we are. I thought there was going to be a fight between him and the right hon. Member for Uxbridge and South Ruislip (Mr Randall), who has, I suspect, enjoyed rather a liquid evening. He was dragged off before anything more untoward happened.

My hon. Friend the Member for Pontypridd (Owen Smith) pointed out the wrong-headedness of the crowding out of private sector investment theory that underlies some of the judgments encompassed in the Bill.

My hon. Friend the Member for Derby North (Chris Williamson) made an extremely good speech about the seriousness of the Budget choices and made a good argument that they are wrong in this case.

Today has been quite an interesting day because of what has been happening in the Office for Budget Responsibility as we have been debating the Finance Bill. As we were coming into this debate, it was suddenly announced that Sir Alan Budd, who has become the oracle in the past six weeks, had decided to retire and leave the OBR after a mere three months in charge. That startling piece of information was played down by the Treasury, as one would expect, but it did prevent the Chief Secretary to the Treasury from praying in aid at every verse-end the forecasts that the OBR has produced to justify some of the policy decisions in the Budget.

The official line is that it was all planned in advance—that Sir Alan was always going to be away after he had set up the OBR—and that, somehow, nothing untoward has happened. However, I would be interested to know whether the Minister responding to the debate tonight

can cast any further light—in the interests of transparency, of course—on what on earth has been happening with the OBR and, in particular, with Sir Alan Budd.

Chris Leslie: It would certainly be interesting if the Minister could cast some light on that, but would it not also jeopardise the so-called objectivity and independence of the OBR if the Chancellor simply chose Sir Alan Budd's successor by himself?

Ms Eagle: These are issues to which I am sure we will return when the Bill establishing the OBR on a statutory basis comes before the House. However, following the farrago that we have seen, it is important that this House should establish the principle pretty quickly that the head of the OBR should be appointed by this House and be answerable to it. When the Bill establishing the OBR is published, I certainly hope that it contains that provision.

Kelvin Hopkins: I have a suggestion: might it not be a good idea to appoint Professor David Blanchflower as the head of the OBR?

Ms Eagle: My hon. Friend has certainly made an intriguing suggestion, but we have to establish that this House has the right to appoint the new head of the OBR before we can start speculating about who that might be.

Mr MacNeil: I am listening to the hon. Lady talking about transparency. In the spirit of transparency, will she honestly, openly and transparently tell the House whether she regrets allowing a rural fuel derogation to the islands of Scotland? Will she be transparent and honest on that simple point about her time in office?

Ms Eagle: I have—and had—a great deal of sympathy for the issues that the hon. Gentleman had raised, which are particularly relevant in the context of the islands that he represents. When one considers extending any potential fuel duty derogation for particular areas to the mainland—that is what was asked about in this case—there are other issues that arise and there are difficulties, as the Chief Secretary will know. We certainly look forward to seeing what he might come up with in his review.

However, I want to return briefly to the OBR and what on earth has been going on there. A great deal has been made of the independent forecasts that the Office for Budget Responsibility published before and after, and which appear in the Red Book. Today, the Treasury has been saying that Sir Alan was only ever going to stay for three months. However, at the event when he was appointed, the Chancellor said:

"Whether I thank him again in a couple of years' time is another matter".

The Chancellor clearly felt that Sir Alan was going to stick around for years, yet he is now running off and has resigned within three months. Why has he chosen to leave so quickly, right in the middle of our consideration of the Finance Bill, when so many of the judgments in the Bill are based on his forecasts? Even today, the Chief Secretary was making much of Sir Alan's forecasts to justify some of the Government decisions that appear in the Bill.

Charlie Elphicke: May I ask the hon. Lady to which clause in the Bill she is referring?

Ms Eagle: Mr Deputy Speaker, it looks like someone is applying for your job. Every clause in the Bill hinges on the forecasts made by the Office for Budget Responsibility that appear in the Red Book. In fact, those forecasts run through every part of this Budget debate like the words in a stick of Blackpool rock. So the hon. Gentleman cannot, in all honesty, however late the hour, try to claim that the points I am making have nothing to do with the Bill before us.

Could it be that Sir Alan has decided to sling his hook because he was forced to become a kind of extension of the Conservative party spin machine last week, when he brought forward that highly contentious explanation—coincidentally just an hour ahead of Prime Minister's Question Time—of the likely effects of the Budget on jobs? We can only speculate about whether that was the case, but I would be interested to hear whether the Exchequer Secretary is able to shed any light on this matter, in the interest of transparency, when he winds up the debate.

Steve McCabe (Birmingham, Selly Oak) (Lab): I appreciate my hon. Friend's point that we can only speculate on this matter, but it is none the less a worrying one. Given the ham-fisted effort that we have just seen to silence our debate, does she think that it might be better if the Treasury Select Committee agreed to conduct a short inquiry into the circumstances surrounding Sir Alan's departure?

Ms Eagle: I am sure that the newly elected Chair of the Treasury Select Committee will make up his own mind about that, but it would be interesting to see whether Sir Alan would actually appear before any such inquiry, whether or not he were still in his job.

We have seen a steady unravelling of the central claims contained in the Budget since it was first unveiled to the House just 15 days ago, on 22 June. It was billed as the unavoidable Budget, and this is the legislation that has come from it. The Budget strategy and judgments were presented by the Chancellor and his spin merchants as infallible. The choice that he made was to cut the deficit further and faster, and that was offered as the only possible option. That is why these measures are before us today in the Bill, particularly the VAT increase. The neo-liberal economic ideologues who have seized control of our economic policy are in the grip of their narrow-minded dogma, and they will contemplate no alternative.

In truth, a highly risky political gamble is encompassed in this Bill—and it is a gamble with our social and economic well-being. The Government have made a political choice to eliminate the entire structural deficit by 2014-15—hence the revenue-raising measures in this Bill. This goes further and faster than even the Tory party promised in its election manifesto, and it is certainly against the explicit judgment on the dangers of cutting spending too soon, which was a prominent part of the Labour and Liberal Democrat manifestos. This worry about the macro-economic risks of targeting the deficit above every other consideration by speeding up its

[Ms Angela Eagle]

elimination is well represented in the mainstream economic debate, even if it has not featured at all in the Government's calculations.

The Budget judgment before us tonight is not just pre-Keynesian; it is actually Hooverite. It is not an economic, but a political and ideological, imperative being pursued in this Finance Bill. This is not an unavoidable Budget, but a huge and risky gamble with the recovery. According to the Chancellor, the overriding problem for our economy now is how the bond markets might react to insufficient austerity.

The fact that the deficit hawks have taken over in the European Union and in the G20 does not make their addiction to synchronised fiscal pain any more desirable than it was in the 1930s. It does make it fashionable, but it still may not work. The fact that these huge cuts in demand will be synchronised also increases the dangers of this policy from a macro-economic point of view. There is increasing evidence that the markets are now beginning to worry about the prospects for growth and the likelihood of a return to low or no growth, Japanese-style.

This was also billed as the emergency Budget. It had to take place immediately after the general election, according to our increasingly melodramatic Chancellor, to avoid catastrophic disruption in the bond markets, threatening the very future of our nation. Nothing matters, it seems, except the deficit. Jobs do not matter and unemployment is a price worth paying. The risk to our social fabric does not matter; it can be dismissed as long as the deficit is eliminated.

We all agree that the deficit has to be tackled, and we had set out a path to cut it by 68% by the end of this Parliament. This was prudent and was far less risky to the recovery than the hazardous path that Government parties have now chosen. How odd it is, then, that the result of all the hype about the economic emergency is a very tiny Bill. We have before us an 11-clause Finance Bill; it is just 26 pages long, and nine of them are superfluous because they are reprinted virtually word for word from the VAT section of the Finance Bill 2009.

Kelvin Hopkins: My hon. Friend is absolutely right to warn against the dangers of deflation, which are much more worrying than anything to do with inflation. Is it not even more worrying that the EU nations have collectively decided to cut their deficits, which will just make the problem even worse? Should we not follow the advice of President Obama, who suggested that we still need the fiscal stimulus?

Ms Eagle: There is certainly a respectable mainstream economic argument that synchronised austerity is worse for growth and could achieve the opposite of its intended effects on the deficit by increasing rather than decreasing it. My hon. Friend is exactly right.

Here we have this tiny Bill of 11 clauses. After all the hysteria surrounding its creation, why is it that size? I think there is only one plausible explanation. The Bill before us contains just those measures that the Chancellor must be worrying that the Liberal Democrats will wobble on over the summer recess. I would be the first to admit that size is not everything, but we might reasonably have expected that a more complete set of measures would have been forthcoming if we really were in the emergency economic crisis about which the Chancellor has spent the last few weeks irresponsibly stoking up hysteria. Instead, we have a first instalment of the Finance Bill that has been especially designed to padlock the Liberal Democrats into the coalition so that they cannot get out and cause a mess over the summer. Looking at those on the Government Benches, I have to say that some of them seem to be more willing hostages than the others. The twitching has definitely begun somewhere over there, and we intend to encourage that as the Bill continues its passage through the House.

Other differences between the Government's rhetoric and the grim reality have become clearer in recent days. We were promised a fair Budget: the Chancellor insisted that we would all be in this together. The Budget, we were told, would be progressive, not regressive, with tax rises evenly distributed among income groups. There would be progressive cuts. The pain of spending cuts would somehow be fairly spread, with the rich bearing their fair share as we all marched together towards the establishment of a zero deficit. One by one, those loud assertions have proved to be utterly false.

In an interview in the *News of the World* on 13 March, before the election, the Chancellor said:

> "We are all in this together. I am not going to balance the budget on the backs of the poor".

Then, on Budget day, he made great play of calculations about the effects of his measures which purported to show that he had delivered on that promise. On closer inspection, however, those assurances dissolved into empty Budget spin. *[Interruption.]*

Stephen Pound: On a point of order, Mr Deputy Speaker. I would never presume to teach you your job, but some of us on this side of the Chamber are having great difficulty in hearing the priceless words that the shadow Minister is enunciating because of the well-refreshed ejaculations that are coming from those on the Benches opposite.

Mr Deputy Speaker: I do not think I need to deal with that point of order.

Ms Eagle: Thank you, Mr Deputy Speaker. I am trying to put the idea of well-refreshed ejaculations firmly out of my mind.

I was about to discuss the analysis by Howard Reed of Landman Economics and Tim Horton of the Fabian Society of the progressive or regressive nature of the Budget. They calculated the effect of the entire package, not just the tax changes. They included the distribution of the billions of pounds of extra spending cuts that had been announced, and then added an assumption of 25% cuts in departmental budgets. Their calculation showed that the combination of all the measures announced in the Budget that this Bill begins to enact will take £1,514 from the bottom 10% of households, which is fully 21.7% of their income. In sharp contrast, the richest 10% will experience an annual loss in income and services of £2,685, which is the equivalent of just 3.6% of their income. If there were 40% cuts in departmental budgets, as was briefed by the Chancellor and Chief Secretary at the weekend, the figures would be grimmer still.

My right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper), the Shadow Secretary of State for Work and Pensions, commissioned the House of Commons Library to conduct a gender audit of the plans. It revealed that women would bear a disproportionate amount of the pain in the Budget. Of the nearly £8 billion net revenue to be raised by the financial year 2014-15, £6 billion will come from women and just £2 billion from men, despite the fact that women have considerably lower levels of income and wealth than men. The analysis does not include the impact of the savage cuts in public expenditure that the Deputy Prime Minister believes are necessary, and that are now being planned and announced. As women make up more of the public sector work force and rely more on public services, they will be hit harder by the pay freeze, hit harder by the job losses, and hit harder by the decimation of public provision for the needy, especially in their role as carers.

The Chief Secretary purported to rebut that earlier today by reading out a suggestion that the figures were not accurate because they assumed that all the family support is paid to women. It is not true that that assumption was made by the House of Commons Library. However, there are a couple of measures where the House of Commons Library has assumed 100% female receipt of benefits. That is the health in pregnancy grant and the Sure Start maternity grant.

The Conservative party and the Liberal Democrats will have to learn that merely asserting as loudly as possible that the measures in the Bill are "progressive" does not make it true. Producing a distributional table on page 67 of the Red Book which appears to show that it is progressive does not make their assertion true either, especially when the Institute for Fiscal Studies demolishes it the next day by pointing out that it included all Labour's key progressive measures enacted before the election to safeguard lower-income groups, and that it conveniently stops in financial year 2012-13, just before all the cuts to family support announced in the Budget are due to be implemented. If the Conservatives and Liberal Democrats were so confident that these measures are indeed progressive, they would commit the Government to carry on publishing those tables— *[Interruption.]*

Mr Deputy Speaker: Order. The House must come to order. Members are obviously coming near to the end. If we have a bit more patience, I am sure that we can move on.

Ms Eagle: If those two parties were so confident that these measures are progressive, they would commit the Government to carry on publishing those tables when the cuts really start to bite.

The huge hike in VAT is the regressive centrepiece of this regressive Budget and it features in the Bill. That is despite the fact that before the election the Prime Minister said on 23 April to Jeremy Paxman:

"We have absolutely no plans to raise VAT",

and the Deputy Prime Minister fronted a huge VAT tax bombshell poster campaign warning about the dangers of electing a Tory Government, which still featured on his website until 9 o'clock this evening: when alerted to its continued presence by my right hon. Friend the shadow Chief Secretary, someone in the Deputy Prime Minister's constituency finally did the decent thing and took it down.

Some Liberal Democrat Cabinet Ministers are even now trying to argue that VAT is not as regressive as they thought it was before the election. It seems that there is no limit to the depths that they are prepared to sink to justify the betrayal of their pre-election promises. VAT is regressive. It hits pensioners and those who are too poor to pay any income tax the hardest. Why then have the Government chosen to raise the bulk of their new tax revenue, nearly £13 billion, by using that tax?

We were assured that the cuts would be fairly distributed in a progressive way, but our early experience of the decisions coming out of the Treasury has confirmed our worst fears. The poorest areas have been hardest hit by cuts to discretionary programmes, which were intentionally aimed at areas in the most need.

One of the first cuts that the Government made was to the future jobs fund. That is at a time when we know, thanks to a leaked Treasury document, that the Budget measures alone will destroy 1.3 million jobs in both the public and private sectors and there are 69 students chasing every job. The prediction by the OBR that 2 million private sector jobs will be created in a mere five years is highly suspect, as an analysis by Adam Lent has pointed out. It took seven years after the 1980s recession and nine and a half years after the 1990s recession to create 2 million jobs, and we are expected to believe that the 2 million mark will be surpassed in record quick time despite the global shock of the credit crunch.

What about the sneaky little move from the retail prices index to the much lower consumer prices index as the definition used for benefit indexation? That cuts £6 billion from the benefits bill at the expense of pensioners and the poorest, the most vulnerable in our society. The delay in implementing the VAT increase will ensure that the price inflation it causes—

The Parliamentary Secretary to the Treasury (Mr Patrick McLoughlin) *claimed to move the closure (Standing Order No. 36), but the Deputy Speaker withheld his assent and declined to put that Question*

Mr Byrne: On a point of order, Mr Deputy Speaker. May I ask for your guidance under Standing Order No. 15(1)(a), which says that the proceedings on any stage of a

"bill brought in upon a ways and means resolution"

including the Finance Bill, are exempt from interruption and may be proceeded with until "any hour though opposed".

Mr McLoughlin *rose—*

Mr Deputy Speaker: The right hon. Member is quite entitled to move the closure motion. It is the decision of the Chair whether to accept it, so what I would say is, Angela Eagle, I am sure you must be very near the end of your speech now.

Ms Eagle: I was talking about the sneaky little move from the retail prices index to the much lower consumer prices index as the definition used for benefit indexes.

[Ms Angela Eagle]

The delay in implementing the VAT increase will ensure that the price inflation it causes is not reflected in this year's indexation cost, which is another sneaky saving from the poorest that the Government hope no one will notice.

This Finance Bill is a risky ideological experiment that will inflict real pain and suffering on those who did not cause the credit crunch. The Bill is regressive not progressive, it is deeply unfair and it is taking a huge gamble with an economic recovery that is not yet assured—we intend to oppose it.

1.56 am

The Exchequer Secretary to the Treasury (Mr David Gauke): We have had nine and a half hours of debate, we have heard many speeches from Labour Members—to be precise, I should perhaps say that we have heard one speech many times—and we have heard not one word of apology. We debate this Bill in the context of a crisis in our public finances, yet we do not see the two right hon. Members most responsible for that here: the shadow Chancellor and the right honourable—and absent—Member for Kirkcaldy and Cowdenbeath (Mr Brown). Over the past few years, few contributions have been made by Labour Members on Finance Bills; usually we heard a contribution from the then Member for Wolverhampton South West, Rob Marris, who is a well-respected figure. We heard many speeches from Labour Members today, but I must say that although the quantity has increased, the quality has deteriorated. There was one exception: the hon. Member for Scunthorpe (Nic Dakin) made a fine maiden speech.

We also heard three other excellent maiden speeches. One was made by my hon. Friend the Member for Weaver Vale (Graham Evans), who pointed out that we do not help the poor by piling up debt. Another was made by my hon. Friend the Member for Ipswich (Ben Gummer). I was particularly delighted to hear that, because I grew up in that town and I remember that even in the days of substantial Conservative majorities it was a Labour-held seat. That goes to show what a fantastic effort he has put in there. I was also delighted to hear the maiden speech of my hon. Friend the Member for North East Cambridgeshire (Stephen Barclay), whom I have known for nearly 20 years. I also wish to thank my right hon. Friend the Member for Wokingham (Mr Redwood), the hon. Members for Solihull (Lorely Burt) and for St Ives (Andrew George), and my hon. Friends the Members for North East Somerset (Jacob Rees-Mogg) and for Dover (Charlie Elphicke), for their contributions.

We debate this Finance Bill in the context of a need for a further fiscal tightening. This country is borrowing more than at any time in our peacetime history. We have seen real turmoil in the markets, with concerns about sovereign debt contagion and with Spain, Portugal and Greece having their credit ratings downgraded. We have seen the independent Office for Budget Responsibility downgrade our predecessors' less than independent growth forecasts and increase the estimate of the structural deficit.

May I respond to the point about Sir Alan Budd by saying that the hon. Member for Wallasey (Ms Eagle) may find that if she spoke to her colleague—or perhaps former colleague—Lord Myners, she would find that in response to his freedom of information request we sent him a copy of Alan Budd's contract, which makes it clear that it was a three-month contract? It also has to be said that in providing credibility for the public finances, he achieved more in three months than the Labour party achieved in 13 years.

It was imperative that the new Government moved further and faster in reducing our deficit and putting the public finances on a firmer footing. What were the risks if we did not do that? At best we would have had a substantial structural deficit at the end of the Parliament, and we would have paid more than £70 billion a year in debt interest. At worst, we ran a risk of the UK being swept up in a sovereign debt crisis, of a downgrading in our credit rating, of a loss of confidence by international investors, of interest rates having to rise in response, and as a consequence, of any recovery being choked off as credit became more expensive and less available. This was a risk that the coalition Government were not prepared to run, even if others were. It was necessary and overdue that we had a Government who were willing to take decisive action, to get a grip of the situation, and to set out a clear and credible path out of this inherited mess. That is what we have done.

Hugh Bayley (York Central) (Lab): Will the Minister give way?

Mr Gauke: The hon. Gentleman had nine and a half hours to take part in this debate. I am not going to give way to him now.

It is right that we should focus our attention on spending cuts. That is the best way of ensuring a successful fiscal consolidation; none the less, it was also necessary to raise taxes. Our challenge was to do so in a way that was fair and enhanced the competitiveness of the UK economy, so that we could encourage the necessary private sector growth.

We will open Britain up for business by creating a more competitive system of corporation tax. We will reduce the main rate from 28% today to just 24% over four years. Rather than putting the small profits rate up, as our predecessors planned to do, we will reduce it to 20%. That proposal has been widely welcomed by business groups such as the CBI, the British Chambers of Commerce and the Institute of Directors.

For the first time we have set out the distributional impact of all the Government's tax and benefit changes that will affect the public over the next two years. It is clear that we have ensured that every part of society will make a contribution to reducing the deficit while protecting the most vulnerable. Even with some tough decisions, we have ensured that child poverty will not increase in the next two years, through a significant above-inflation increase in child tax credit.

We have not heard proposals from the Opposition about how they would raise more tax. To be fair, one or two Opposition Members, even former members of the Government, said, "We should have raised more from the bank levy," somewhat forgetting that when the Labour party was in government it refused to introduce a bank levy.

I know that there is sincere concern on both sides of the House that those who are materially deprived may have to pay disproportionately more in tax as a consequence

of the change in VAT, but I urge all hon. Members to look at the academic debate on this matter. If they want to see a correlation between material deprivation and income, the best way of looking at it is to look at the expenditure basis. The fact is that income distribution will always reflect the fact that there are groups in society with volatile incomes who are not as materially deprived as others, but who will from time to time earn less and at other times earn more. As a consequence—

Hugh Bayley: Will the Minister give way?

Mr Gauke: If Opposition Members do not want to engage in this debate, that is fair enough, but the fact is that—

Hugh Bayley: Will the Minister give way?

Hon. Members: Give way.

Mr Deputy Speaker: Order. If the Minister wanted to give way, he would do so. The hon. Gentleman has been in the House long enough to recognise that the Minister is not going to give way.

Mr Gauke: We are not going to take any lectures from the Opposition. Remember, theirs is the party that doubled the 10p tax rate. Of course, at that point the Government did not produce a distributional analysis. I have asked officials to look into this, and if we look at the distributional impacts of the changes in income tax announced in 2007, an interesting fact emerges: the bottom five deciles all lose and the top five deciles all win. That was the consequence of the policy of the right hon. and absent Member for Kirkcaldy and Cowdenbeath, and some of us remember Labour Members cheering when that policy was announced.

What a contrast with the coalition Government. Whereas the Labour Government raised income tax on the poorest, we have taken 880,000 people out of income tax. What a contrast on the deficit, as well. I do not believe that when the Labour Government came to power in 1997 they intended to leave the biggest budget deficit in our peacetime history, but the fact is that they did. We know it, the British people know it, and deep down, Labour Members must know it too, but the more we listen to them—in complete denial, opposing each and every measure to control the deficit, failing to engage in how we solve the problem—the more absurd and out of touch they look. That will not impress many people.

The British people know that this Government are sensibly and pragmatically clearing up a mess left by our predecessors. I say to Labour Members: accept that fact, engage constructively in what we do about it, but above all, apologise for it. It is clear, however, that we will not get any constructive engagement from Labour Members. Instead, we see Labour's age-old habit of failing to confront the hard truths: self-indulgent, short-sighted, with passion and resolution marching into the wilderness—irresponsible in government, irrelevant in opposition.

This country deserves better than that. The British people know that sorting out the mess will not be easy. Yes, sacrifices will have to be made, but in this Finance Bill we are making tough choices—choices that will restore our public finances, choices that enhance not diminish our competitiveness, and choices that are fair to all sections of society. I commend the Bill to the House.

Question put, That the Bill be now read a Second time.

The House divided: Ayes 332, Noes 230.

Division No. 14] **[2.7 am**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew

Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howell, John
Hughes, Simon
Huhne, rh Chris
Hunt, rh Mr Jeremy
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Osborne, rh Mr George
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Stephen Crabb and Mark Hunter

NOES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Brennan, Kevin
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Coaker, Vernon
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark

Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Hepburn, Mr Stephen
Heyes, David
Hilling, Julie
Hodgson, Mrs Sharon
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana R.
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lewis, Mr Ivan
Long, Naomi
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miliband, rh Edward
Miller, Andrew
Mitchell, Austin
Moon, Mrs Madeleine
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Paisley, Ian
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, Angus
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Sharma, Mr Virendra
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Woodcock, John
Woolas, Mr Phil
Wright, David
Wright, Mr Iain

Tellers for the Noes:
Mr Frank Roy and Lyn Brown

Question accordingly agreed to.

Bill read a Second time.

Motion made, and Question put forthwith (Standing Order No. 63(2)), That the Bill be committed to a Committee of the whole House.—*(Jeremy Wright.)*

Question agreed to.

Business without Debate

BUSINESS OF THE HOUSE

Motion made,

That, notwithstanding the practice of the House as to the intervals between stages of Bills brought in upon Ways and Means Resolutions, more than one stage of the Finance Bill may be taken at any sitting of the House.—*(Jeremy Wright.)*

Hon. Members: Object.

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118 (6)),

CONSTITUTIONAL LAW

That the draft National Assembly for Wales (Legislative Competence) (Housing and Local Government) Order 2010, which was laid before this House on 1 March 2010, in the previous Parliament, be approved.—*(Jeremy Wright.)*

Question agreed to.

PETITION

Proposed development north of Holt Avenue (Adel, Leeds)

2.23 am

Greg Mulholland (Leeds North West) (LD): May I say that despite the childish, tedious and repetitive attempts of Labour Members to silence the people of Adel—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. This is a petition, and you are meant to speak to the petition. You may have your own views about tonight, but you cannot use them now; please address the petition that you are putting before the House.

Greg Mulholland: I was simply saying, Mr Deputy Speaker, that the people of Adel would not be silenced.

The petition is about the proposed development north of Holt avenue in Adel. It is against the previous Labour Government's entirely bureaucratic, unnecessary,

[Greg Mulholland]

centralised and over-ambitious targets for housing in the regional spatial strategies, which cause a legal loophole that can allow developments such as the one north of Holt avenue in Adel potentially to go ahead, against the wishes of local residents, local residents associations and Leeds city council. I am delighted to present this petition against that, and, of course, to welcome the coalition Government's commitment to abolishing these targets.

The petition states:

The Petitioners therefore request that the House of Commons urges the Secretary of State for Communities and Local Government to use all his powers to review the previous Government's targets for housing.

Following is the full text of the petition:

[The Petition of residents of Adel and Wharfedale, the surrounding area, and others,

Declares that the petitioners have serious concerns about the previous Government's overly ambitious targets for housing; and further declares that the petitioners believe that these targets will lead to unwanted developments—for example, the proposed development for the land north of Holt Avenue in Adel.

The Petitioners therefore request that the House of Commons urges the Secretary of State for Communities and Local Government to use all his powers to review the previous Government's targets for housing.

And the Petitioners remain, etc.]

[P000841]

Llanishen Reservoir

Motion made, and Question proposed, That this House do now adjourn.—*(Jeremy Wright.)*

2.25 am

Jonathan Evans (Cardiff North) (Con): This is the first occasion on which I have been able to address the House in debate for more than 13 years, following my decade of service as MEP for Wales in the European Parliament. Although this is not therefore a maiden speech as such, I want to begin by mentioning my predecessor, Julie Morgan. I paid full tribute to her service in the Welsh Grand Committee last week, so I will not go into detail again today, but I wish to introduce the debate by highlighting the cross-party agreement in Cardiff on the subject of Llanishen reservoir between me, my Labour predecessor and the hon. Member for Cardiff Central (Jenny Willott), who, because of an impending happy event, cannot be here this evening.

For the past 35 years, the Reservoirs Act 1975 has provided a robust procedure for maintaining the safety of British reservoirs. The law requires that A-class reservoirs must be inspected every 10 years by an independent engineer drawn from a panel compiled by the Secretary of State for Environment, Food and Rural Affairs. Independence means not being in the employment of the owner of the reservoir, who is free to select any DEFRA panel engineer. Once such an engineer proposes further action, those measures become mandatory. They are, to use the words of one of the panel engineers who plays a key part in this story, "set as tablets of stone". They cannot be altered without a new inspection, and a supervising engineer, again drawn from the DEFRA panel, must be appointed by the reservoir owner and given responsibility for carrying them out in accordance with the original recommendations.

If the inspecting engineer makes inappropriate safety recommendations, the reservoir owner can have the issue referred to a referee under section 19 of the 1975 Act. That process was devised to provide strong powers to maintain reservoir safety, with appropriate review powers for the reservoir owner. However, the legislation and its method of enforcement are actually being abused to undermine safety in the case of Llanishen reservoir in Cardiff, which threatens to bring about the destruction of the reservoir itself.

Llanishen reservoir was built between 1884 and 1886 to supply water to the city of Cardiff, but it has not been used for water supply for more than 30 years. For many years the local council has leased the reservoir for sailing training, and the area is widely popular for both walking and fishing. However, the current owners of the reservoir, Western Power Distribution, a subsidiary of a major US energy corporation, PPL—formerly Pennsylvania Power and Light—wants to redevelop the land for more than 300 houses and flats. For the past eight years, that US giant's subsidiary has put forward multiple planning applications. All have been refused, and PPL has challenged every refusal.

Additionally, the area has been granted multiple protections. It is a designated site of special scientific interest and site of importance for nature conservation, and the reservoir structure itself has been listed by the National Assembly as a structure of special architectural and historic importance, with the active approval and

recommendation of the Institution of Civil Engineers. PPL's subsidiary WPD unsuccessfully challenged each and every one of those designations. However, I want to make it clear that the debate is not about those planning powers, which have been devolved to the National Assembly. I mention the ambitions of PPL's subsidiary because they form an important background and context to the events that give rise to my debate.

A DEFRA panel engineer, Mr Earp, inspected the reservoir under the Reservoirs Act in 2004 and passed it as safe. That is the last we will hear of Mr Earp. The next statutory inspection was not due to take place until 2014. However, WPD brought forward the next inspection by six years, and decided to appoint a different engineer. In other words, the reservoir owner, having received a report declaring that the reservoir was safe, and not needing to do another for 10 years, decided to have an examination undertaken only four years later.

The engineer who was appointed, Dr Andrew Hughes, suggested that the owners made the decision not because of any risk to safety, but in anticipation of their being successful in any change in use of the reservoir. Dr Hughes was required by law to be independent of WPD. He is employed by a company called Atkins, the multinational civil engineering consultancy, which is active in many countries. He undertook his inspection in 2008 and, to the shock of many, including the local reservoir action group, recommended that a full examination of the pipework at the base of the reservoir be carried out in the interests of safety. Then Dr Hughes then left the scene. Having prepared his report, he has subsequently refused to engage in any debate with third parties about his conclusions, and he considers his role to be closed.

Under the Reservoirs Act, the next step is for a supervising engineer to be appointed by the reservoir owners to carry out Dr Hughes's recommendations. That engineer has been appointed. He is Mr Owens—again, a DEFRA panel engineer—whose services were apparently offered to the reservoir owners by Atkins, the company whose employee produced the original independent inspection. Mr Owens said:

"Atkins Limited offered Western Power Distribution Ltd my services as one of their Qualified Civil Engineers, to oversee the execution of the mandatory measures in the interests of safety recommended in Dr Hughes Inspection Report dated May 2008. WPD accepted Atkins offer and appointed me accordingly."

Mr Owens has declared that the reservoir must be fully drained. Given that the reservoir is filled solely by rainfall, if it is drained, it will take a decade to refill it, and major damage may be caused to the integrity of the whole structure in the meantime. The recommendations of the Atkins engineers, Dr Hughes and Mr Owens, have been closely examined and challenged by two other DEFRA panel engineers, Dr Binnie, who has been working for the local residents group, the reservoir action group, to which I pay tribute for all its work in the past eight years, and Mr Alan Warren of Halcrow—a very well known civil engineering company—who was commissioned to advise the Environment Agency.

After a freedom of information request, the Environment Agency recently provided a copy of Mr Warren's report. I have it here. It was produced in the past month and has come into my hands only in the past fortnight. In it, Mr Warren says:

"The overall objectives of the work are not clear to me and the QCE"—

qualified civil engineer—

"Mr Owens has not clarified the conditions under which he will provide certification.

The wording of the recommendations made by Dr Hughes is such that a complete emptying of the reservoir is not mandatory. The QCE Mr Owens has offered little evidence to support his approach of fully draining the reservoir in preference to others."

Most importantly, the report states:

"It is apparent that the statutory measures are being addressed in a manner which will create new risks to reservoir safety".

Let me underline that. According to the Environment Agency's own adviser, a DEFRA-approved panel engineer, the works that Atkins intends to carry out at Llanishen reservoir create new risks to safety. When such a fundamental disagreement between professionals exists, there ought to be a mechanism for referring it to a professional body for adjudication, but under the legislation, the right to refer to a referee appears to be granted exclusively to the owners of the reservoir. WPD and its US owners unsurprisingly have no interest in such a process.

In the meantime, the Environment Agency, as the enforcement authority under the 1975 Act, is obliged to serve notice on the reservoir owners to insist on the works being undertaken, even though its own DEFRA panel engineer has warned that the works will compromise the safety of the reservoir. I understand from the Environment Agency that despite that, it has drawn the conflicting reports to the attention of DEFRA, which of course retains the power of appointing panel engineers under the Act.

The local newspaper, the *South Wales Echo*, has run a major campaign urging PPL to intervene. PPL's chairman, president and chief executive officer, Mr James Miller, is apparently proud of the environmental record of his company and boasts on his website that

"at PPL doing the right thing comes naturally".

The paper's readers were urged to write to Mr Miller to urge him to do the right thing. The website also states:

"We have a clear expectation that everyone in the PPL family at all our operations around the world will live up to the company's expectations for integrity and ethical behaviour",

but I am afraid that Mr Miller has proved to be less of a Ralph Nader and rather more of a Montgomery Burns. He actually failed to respond to any of the letters of concern sent by local residents and others, and referred each and every one back to WPD in the UK.

In a curious irony, Mr Keith Clarke, the CEO of Atkins, is visiting Cardiff on the 15 July to receive recognition from Cardiff university of his contribution to civil engineering. Mr Clarke is fully aware of the role that his company has been playing in relation to the future of Llanishen reservoir. I challenge him to visit the reservoir, to meet the reservoir action group and locally elected representatives, and to see what is being done by his colleagues in his company's name.

Robust and valuable laws that have been used to maintain the safety of our reservoirs for a generation are being cynically abused in my city to bring about the opposite effect, and an important historic landmark, recognised as being of national importance, is about to be vandalised.

2.38 am

The Parliamentary Under-Secretary of State for Wales (Mr David Jones): I congratulate my hon. Friend the Member for Cardiff North (Jonathan Evans) on securing

[Mr David Jones]

this debate, which is important both for his constituents and, because it concerns Government policy on reservoir safety, for the whole country.

As my hon. Friend will appreciate and as he identified, the case of the Llanishen reservoir is complex, and today is not the first occasion on which the matter has been ventilated on the Floor of the House—as recently as last February, it was referred to by his predecessor, Julie Morgan, in the St David's day debate. The case of Llanishen reservoir involves consideration not only of reservoir safety, but of protection of the environment, planning law and listed buildings consent. While matters relating to the safety of reservoirs in Wales are devolved, and I know that the Welsh Assembly Government Minister for Environment, Sustainability and Housing has been monitoring events closely, the Environment Agency is responsible for enforcing matters of reservoir safety in Wales.

The Reservoirs Act 1975, as amended, sets out the safety regime for reservoirs in England, Wales and Scotland. Llanishen reservoir is a large raised reservoir under the terms of the Act, that is to say one designed to hold or capable of holding more than 25,000 cubic metres of water above the natural level of the land. As such, it should—pursuant to section 10 of the Act—be inspected by a qualified inspecting engineer at least every 10 years.

As my hon. Friend said, Llanishen reservoir was last inspected in 2008 and the inspecting engineer made a number of recommendations relevant to its safety. He recommended that a survey of all valves and pipework in the reservoir should be carried out to check their layout and condition. Although he did not specifically require a drain-down of the reservoir, he pointed out that this would be necessary in order for its operator, Western Power, to implement his recommendations. Once such recommendations have been submitted by the engineer, there is a legal obligation on the operator to implement any necessary measures as soon as practicable. In the case of Llanishen, the inspection report specified that these should be done within 12 months.

Western Power did not complete these measures on time so the Environment Agency served an enforcement notice on the company. That notice required the company to complete the outstanding safety measures within an agreed timescale. Western Power elected to draw down the reservoir to carry out a visual inspection of the pipework. It began drawing down the water on 26 February 2010 by siphoning water over the reservoir embankment and into the Nant Fawr stream. The water level within the reservoir has been lowered by approximately 4 metres. The siphoning has now stopped.

Although the Environment Agency has no legal powers to prevent the draw-down from happening, it has written to the company to emphasise that in the agency's view the company does not necessarily need to drain down Llanishen reservoir in order to carry out the safety inspections identified by the inspecting engineer. However, should the company insist on completing the draw-down, the company needs an environmental permit or discharge consent from the agency to proceed. This document is issued under section 85 of the Water Resources Act 1991 and gives permission to discharge water that may contain silts or sediments—such as in reservoir water—sewage or trade effluents directly into surface waters, rivers, streams, canals, groundwater or the sea. In fulfilling its obligations under this Act, the Environment Agency determines environmental permit applications to regulate the water being discharged in order to protect water quality, the environment and human health.

During its consultation on the application, which was advertised in the *South Wales Echo*, the agency received a number of comments from the local community, including some from the Llanishen reservoir action group. These comments are being considered as part of the agency's assessment of the application. If Western Power proves to the agency's satisfaction that the draw-down will not cause any detrimental effect on the Nant Fawr stream, its wildlife or the local environment, the agency is obliged to issue an environmental permit. However, if granted, the permit will place appropriate conditions on the company to minimise the risk of pollution or damage to the local environment.

The SSSI status conferred upon the Llanishen reservoir embankments by the Countryside Council for Wales in September 2005, which was confirmed in May 2006, will no doubt be an important factor in the agency's assessment. I understand that Western Power has consulted the Countryside Council on its plans for the reservoir. The listed building status of the dam attached to the reservoir by Cadw is also an important factor to be taken into account, but it is my understanding that no application for listed building consent has been submitted by the company in relation to the drain-down. In any case, consideration of any such application would be a matter for Cardiff city council as the appropriate authority. If at any time the Environment Agency comes to believe that the reservoir has become unsafe or detects any damage or pollution to the environment from the further draw-down proposed by Western Power, proportionate enforcement action will be taken against the company.

I recognise and share my hon. Friend's concerns over the many issues he has identified in relation to the reservoir at Llanishen. I hope also that I may reassure him of the importance I attach to the debate on matters that are not just of concern to local communities, but which might indeed have wider implications and which I intend to take steps to pursue. I therefore intend to write to the Welsh Assembly Government Minister with responsibility for the environment and sustainability, Jane Davidson, who has devolved responsibilities in this matter, to convey the concerns raised in the House this evening. I intend also to write in a similar vein to Robert Symons, the chief executive of Western Power, to urge that his company engages with interested parties in this matter.

As my hon. Friend has so eloquently pointed out, the Llanishen case has highlighted the fact that, whereas a reservoir operator has a means of challenging a determination by the Environment Agency, current legislation does not provide for reconsideration by an inspecting engineer of his report once it has been submitted to the operator, even if new information or a contrary view is provided from another source. That seems to be an issue that merits further reflection. I therefore intend also write to my hon. Friend the Member for Newbury (Richard Benyon), the Under-Secretary at the Department for Environment, Food and Rural Affairs with responsibility for the natural environment and fisheries, to ask him to consider the scope for addressing this apparent anomaly in the course of the Government's implementation of

section 4 of the Flood and Water Management Act 2010, which will introduce a risk-based approach to the assessment of reservoir safety, and on which the Government will consult in due course.

Jonathan Evans: The reservoir action group and local residents will be very pleased to hear my hon. Friend's statements from the Dispatch Box. Within his busy schedule, when he is in Cardiff on some convenient occasion, will he take the opportunity to visit the reservoir and meet the interested parties and locally elected representatives, as I challenged Mr Clarke to do during my earlier remarks? Bearing in mind what my hon. Friend has said, there will be people who will wish to take the opportunity to thank him for his interest.

Mr Jones: I shall be pleased to accept that invitation.

I will place copies of all the letters to which I have referred in the Library of the House. I hope that the process that I have outlined will give my hon. Friend the assurance he needs that the safety and environmental impact of the operation of Llanishen reservoir, as well as the concerns of his constituents and the wider community in Cardiff, are being given the priority and attention the matter deserves.

Question put and agreed to.

2.48 am

House adjourned.

House of Commons

Wednesday 7 July 2010

The House met at half-past Eleven o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

INTERNATIONAL DEVELOPMENT

The Secretary of State was asked—

Pakistan

1. **Andrew Stephenson** (Pendle) (Con): What aid his Department has provided for economic development and good governance in Pakistan in the last 12 months; and if he will make a statement. [6261]

The Secretary of State for International Development (Mr Andrew Mitchell): In the last 12 months, my Department has provided aid to Pakistan to help to put more children into school, improve macro-economic stability and support the efficient and effective delivery of basic services.

Andrew Stephenson: I thank my right hon. Friend for that answer. Oxfam has said that 1 million Pakistanis fleeing from fighting remain in overcrowded camps and depend on emergency relief to survive. What is being done to help internally displaced persons and refugees in Pakistan?

Mr Mitchell: My hon. Friend is right to identify that particular problem in Pakistan, and it was one of the problems I specifically looked at when I was in Pakistan some three weeks ago. My hon. Friend will know from his own very close relationship with members of the Pakistani diaspora in Britain that, as the Oxfam report makes clear, extensive work is being done in all the affected regions of Pakistan, but we are looking at our whole programme to see whether there is anything more we can do.

Steve McCabe (Birmingham, Selly Oak) (Lab): Does the Secretary of State agree that, although the aid for Pakistan is welcome, the Pakistani authorities must realise that the appalling murder, persecution and torture of the Ahmadiyya Muslims in Lahore, with the complicity of the authorities, must cease?

Mr Mitchell: The hon. Gentleman is a Birmingham Member of Parliament, as am I, and, like me, he will have received representations from the diaspora in Birmingham on that specific point. I had the chance to visit Lahore in January, and I will carefully consider what he has said and see whether additional action is required.

Aid Expenditure (Transparency)

2. **Nadhim Zahawi** (Stratford-on-Avon) (Con): What steps he is taking to ensure transparency of his Department's expenditure on aid. [6262]

The Secretary of State for International Development (Mr Andrew Mitchell): I launched the aid transparency guarantee on 3 June, which will ensure that UK and developing country citizens have full information about British aid.

Nadhim Zahawi: I am sure my right hon. Friend is aware of recent surveys showing that, in these difficult times, public support for international aid is waning. Does he agree that if we are to win the argument for his Department's budget in the court of public opinion, we have to ensure that the transparency agenda is linked to achieving the goals of the Ministry of Defence and the Foreign Office?

Mr Mitchell: My hon. Friend makes a good point, and it is always important to underline that there is strong cross-party commitment to this important budget partly for moral reasons, but also because it is very much in our national self-interest. My hon. Friend will have heard the words of the Foreign Secretary and myself about the importance of wiring more closely together defence, diplomacy and development, and he has my assurance that we will continue to do that with great care.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): In last Thursday's debate, the Secretary of State was transparent enough to admit that he did not yet know how the extra £200 million for Afghanistan announced by the Prime Minister will be spent. Given the question asked by the hon. Member for Stratford-on-Avon (Nadhim Zahawi) and the increasing speculation that DFID money in Afghanistan will be spent on things over which the Secretary of State's Department has no control, can he tell the House whether the Foreign Secretary—or, indeed, the Defence Secretary—has made any suggestions to him as to how that £200 million should be spent?

Mr Mitchell: The hon. Gentleman will understand that a Government who are properly co-ordinated and working together will discuss all these matters to make sure that, as I have said, we wire together in the best possible interests defence, diplomacy and development. However, as the hon. Gentleman is well aware, as he has been a junior DFID Minister, the OECD Development Assistance Committee rules are what pertain in the spending of money on development, and the coalition Government have confirmed what his Government said: those rules will persist.

Malcolm Bruce (Gordon) (LD): I welcome my right hon. Friend's initiative in setting up a more effective watchdog for transparency and accountability and to publish what DFID funds in more detail from January. That will provide a welcome reinforcement of the value of our aid. May I also say that the Select Committees are very anxious to start their work and anything he can

do to ensure that they are constituted will help to enable the International Development Committee to take evidence from him next Thursday so we can expand on these issues?

Mr Mitchell: I am grateful to the Chair of the International Development Committee for his comments. He knows a great deal about these matters. The transparency guarantee is enormously important, first in reassuring British taxpayers by enabling them to see where the money is being spent and that it is being well spent; and secondly, in assisting in the building of civic society to ensure that people in the countries we are trying to help can hold their own political leaders to account. I look forward to discussing next week with his Committee these and other matters, especially independent evaluation.

Media High Council (Rwanda)

3. **Mary Creagh** (Wakefield) (Lab): What funding his Department plans to allocate to the media high council in Rwanda in 2011-12. [6263]

The Parliamentary Under-Secretary of State for International Development (Mr Stephen O'Brien): The UN-led programme of support to six oversight institutions in Rwanda, including the media high council, comes to an end in this financial year. There are no plans for further DFID support.

Mary Creagh: I thank the Minister for that reply, and I am relieved to hear that we will not be funding the media high council given that it has recently suspended Rwanda's two leading independent newspapers, *Umuseso* and *Umuvugizi*, and given that a leading Rwandan journalist, Jean-Léonard Rugambage, was murdered in Rwanda in June. Will the Minister make urgent representations, through his Department, to the Rwandan authorities and make sure that we fund things that promote freedom of speech, particularly in the run-up to the elections?

Mr O'Brien: I am grateful to the hon. Lady for highlighting these issues. I assure her that when I visited Rwanda between 15 and 17 June I raised these very matters at all levels, including the very highest levels, in the various meetings I had. It is important that as part of the general support that DFID gives to help the Rwandan people, we press for the opening up of political space and that we make sure that pertains up to the election. My right hon. Friend the Secretary of State will take the opportunity, later this week in a meeting with the Rwandan high commissioner, to press the issues that the hon. Lady has rightly identified.

1GOAL Summit

4. **Luciana Berger** (Liverpool, Wavertree) (Lab/Co-op): What support his Department has provided to the 1GOAL Education for All summit on 7 July 2010 in South Africa. [6264]

The Parliamentary Under-Secretary of State for International Development (Mr Stephen O'Brien): DFID has given the 1GOAL campaign £804,800 so far and will give a further £195,200 this financial year. In addition, DFID offered support to the Government of South Africa for a summit during this World cup, and we have received an invitation to that summit this very morning. It will take place this Sunday and we are considering who should attend.

Luciana Berger: I am grateful to the Minister for his reply. There have been a great many goals in this World cup, but signing up to a road map to deliver education to 72 million children around the world by the next World cup could be the greatest goal. How will he ensure that the momentum of today's education campaign summit is not lost between now and Brazil 2014?

Mr O'Brien: I am grateful to the hon. Lady for her excellent question. She, like all hon. Members across the House and particularly Her Majesty's Government through DFID, is passionate about the need to boost education, particularly for the millions who have yet to receive the benefit of a primary education. There are few bigger prizes to grasp, and she is right to say that we need to maintain the momentum of the 1GOAL campaign, which we have been very pleased to support. The summit that is about to take place should help to boost that momentum and we shall do all we can to help to maintain it.

Iain Stewart (Milton Keynes South) (Con): Will the Minister join me in congratulating the pupils and staff of Eaton Mill primary school in my constituency, who, like those in many schools up and down the country, have made an enormous effort to raise awareness of the 1GOAL project and the aims of improving education throughout Africa?

Mr O'Brien: I am delighted to join my hon. Friend in congratulating the school in his constituency that has so eagerly taken part in this campaign. About 8,000 schools in the United Kingdom have asked for supporter packs from the 1GOAL campaign, so it has had a real impact. There have also been lesson plans and other activities for schoolchildren and I dare say that many Members across the House have had similar experiences to my hon. Friend. That is a measure of the impact and success of the campaign to date.

Mr Douglas Alexander (Paisley and Renfrewshire South) (Lab): I welcome the Minister's support for the 1GOAL summit, and I hope that he or one of his ministerial colleagues will accept the invitation that has been extended to the ministerial team. The Secretary of State has repeatedly told the House in recent weeks that he is focused on outcomes, so will the Minister tell me what steps, if any, he will take in the coming weeks and months to help to finance the removal of school fees, for how many children and in which countries?

Mr O'Brien: As part of the broad attempt to ensure that the millennium development goals are met, we are keen to do everything we can to boost access to education. What matters is what works, and we need to push very hard in a number of countries through programmes to ensure, if we can, that user fees are removed. In some areas vouchers could be used, but the main thing is to focus on what works, and we are certainly focused on that.

Mr Alexander: I note the lack of detail in the Minister's response, and that he mentions vouchers. Does he still intend to implement his plans for voucher schemes, which were described by the director of UNESCO's global monitoring report on education as

"using vulnerable people to advance an ideologically loaded, market-based vision for education, which would exclude millions of kids from school"?

Mr O'Brien: I am only interested in what works, and of course the precise detail will come out of the bilateral aid review that we are undertaking, of which the right hon. Gentleman is aware. Of course we will be happy to try to ensure that we learn the lessons of the experience for which he was responsible as regards the use of vouchers, particularly in relation to maternal health in south-east Asia.

Caribbean Countries

5. **Julian Smith** (Skipton and Ripon) (Con): If he will conduct a review of the effectiveness of his Department's programmes in Caribbean countries. [6265]

The Minister of State, Department for International Development (Mr Alan Duncan): Yes, we will. My right hon. Friend the Secretary of State has commissioned a review of DFID's bilateral aid programme to ensure we target UK aid where it is needed most and where it will make the most impact. The Caribbean programme will be included in that review.

Julian Smith: Much of the Caribbean is very poor, and it is currently being carved up by countries such as Taiwan, China and Venezuela. May I urge my right hon. Friend to recall the historical Commonwealth links and huge good will towards Britain in that region as he develops his policy in this area?

Mr Duncan: We do indeed have strong historical links with the Caribbean. This Government, rather unlike our predecessors, very much value our links with the Commonwealth and fully recognise our responsibilities to the overseas territories, including those in the Caribbean. We give support especially to combat crime and insecurity as well as the effects of climate change, and we stand ready to help in the event of any natural disaster.

Jim Shannon (Strangford) (DUP): In relation to international development and the money that goes to the Caribbean countries, illegal trade in children from Haiti to the Dominican Republic has taken place and has been very apparent in the news in the last while. Can we use our influence to ensure that the money available through international development goes to stop that trade?

Mr Duncan: That is exactly part of our reforms. We take these issues extremely seriously and they will be a very important part of the priorities we allocate when we spend our aid in such countries.

Colombia

6. **Jim Sheridan** (Paisley and Renfrewshire North) (Lab): What aid his Department is planning to provide to Colombia in 2010-11; and if he will make a statement. [6266]

The Minister of State, Department for International Development (Mr Alan Duncan): DFID does not provide direct financial assistance to the Government of Columbia. We provide aid primarily through multilateral organisations, including the European Commission and the World Bank. In addition, DFID supports a number of projects through non-governmental organisations to support human rights and poverty reduction. We are, of course, reviewing our programme and Colombia will be part of that.

Jim Sheridan: I thank the Minister for that response. Will he assure the House that any direct or indirect aid is channelled through humanitarian groups such as the International Red Cross? He is aware that Columbia is an extremely dangerous place to be for those who oppose the regime and, just recently, President-elect Santos ordered his troops to dress up in International Red Cross uniforms to carry out illegal activities. I am sure that the International Red Cross would welcome the opportunity to meet the Minister to talk through this issue.

Mr Duncan: I am grateful to the hon. Gentleman for raising this point because it is extremely important. My right hon. Friend the Secretary of State will meet the head of the International Red Cross next week and this will be a significant matter on the agenda for that meeting.

Aid Expenditure (Legislation)

7. **Albert Owen** (Ynys Môn) (Lab): Whether he plans to bring forward legislative proposals in this Session of Parliament to ensure that 0.7% of gross national income is spent on aid. [6267]

The Secretary of State for International Development (Mr Andrew Mitchell): The Government are fully committed to our pledge to spend 0.7% of national income on aid from 2013, as defined by the rules of the OECD Development Assistance Committee, and to enshrine that commitment in law. We are looking into the best way to proceed and will inform the House when a decision has been taken.

Albert Owen: I am grateful to the Secretary of State and I share his view that our aid commitment is both a moral imperative and in the UK national interest. Will he be more specific, however? The legislation that he is talking about will not cost the Chancellor a lot of money, so it will be easy to bring forward very quickly. Is he not a little worried that his Back Benchers might not be with him 100%, as many of them are uncomfortable ring-fencing his Department's money?

Mr Mitchell: I do not know of any Back Bencher who is not a strong supporter of this law. I share with the hon. Gentleman a frustration about the length of time it is taking to bring forward the legislation, but he will have seen the wise words of the Select Committee Chair in the debate last week when he made it clear that it would be sensible to look carefully at the precise terms of the law. There is some gentle disagreement among members of the development community and it is obviously right for us to consider all these matters before proceeding.

Philip Davies (Shipley) (Con): The Secretary of State will recognise the concern about recent newspaper reports of the amount of his Department's budget that was spent on trade unions in this country and other politically correct causes. Given also the money that goes to China and India, and other money wasted by the EU, does he not accept that all that taken together undermines the case for the 0.7% requirement, particularly in this age of austerity?

Mr Mitchell: My hon. Friend makes an important point about value for money and the effectiveness of British aid. That is why we have set up our bilateral review of every place where Britain is spending this important budget, so that we can be sure, as I said earlier, that for every £1 of hard-pressed taxpayers' money, we are really getting 100p of value. He specifically mentions China. He will know that, on the day that the Government took office, we announced that we would stop all aid to China. The bilateral review is of course looking at India.

On trade unions, I would make two points. First, trade unions spend overseas money well on building the capacity of societies to hold their leaders and politicians to account. What is wrong, in my view, is funding development awareness. Sadly, the former Secretary of State felt it was right to spend hundreds of thousands of pounds of British aid and development money on supporting Brazilian dance groups—

Mr Speaker: Order. We are grateful to the Secretary of State, but we do not need any more; the answer is simply too long.

Millennium Development Goals Summit

8. **Mr Michael McCann** (East Kilbride, Strathaven and Lesmahagow) (Lab): What objectives he has set for the forthcoming UN millennium development goals summit in New York. [6268]

The Secretary of State for International Development (Mr Andrew Mitchell): The Government aim to reach international agreement on an action agenda to achieve the MDGs by 2015. That will require developed and developing countries to make results-based policy and financial commitments, including on the most off-track MDGs, such as those on maternal and child health.

Mr McCann: We know that the Prime Minister will be unable to attend the UN MDG summit in New York because of his impending paternity leave. I congratulate him on taking advantage of that family-friendly policy, championed by trade unions and many Opposition Members. Now that the Deputy Prime Minister will take over those duties in New York, how many times has the Secretary of State personally discussed the objectives for the forthcoming summit in New York with him?

Mr Mitchell: I have discussed the matter frequently with the Deputy Prime Minister. Indeed, shortly after this Question Time, I will hold a meeting with him specifically on that. The country is fortunate that the Deputy Prime Minister, with his deep knowledge of these matters, will go the MDG summit.

Geoffrey Clifton-Brown (The Cotswolds) (Con): I know that my right hon. Friend is aware of the recent UN report on the lack of progress on some MDGs that cites unmet commitments, inadequate resources and a lack of focus and accountability. As he is so interested in this subject, what further lead can he give at the New York summit later this year so that we make better progress?

Mr Mitchell: I had the opportunity to speak at the UN last week, specifically on the importance of injecting real vigour and energy into trying to ensure that we have a proper road map for progress in the last five years of the MDGs. *[Interruption.]* They have produced a real opportunity to reduce poverty and hunger around the world, and I am certain that the extensive work that will be done in the run-up to September will be effective in achieving that. *[Interruption.]*

Mr Speaker: Order. Far too many private conversations are taking place in the Chamber. It is very discourteous both to the Member asking the question and to the Minister, however strong a voice he or she may have, answering the question. We need a bit of order.

Tackling Climate Change

9. **Julie Hilling** (Bolton West) (Lab): Whether his Department plans to provide funding for tackling climate change other than by means of official development assistance from 2013. [6269]

The Secretary of State for International Development (Mr Andrew Mitchell): Decisions on UK international climate change finance will be determined through the comprehensive spending review.

Julie Hilling: I find that answer somewhat difficult at the moment. Clearly, we need to know what will happen in terms of any such division: will there be separate funding for climate change, or will all the money come from the international aid budget?

Mr Mitchell: The hon. Lady will know that the fast start funding for climate change, which will come from the development budget—something that was confirmed by the previous Government when they were in office—takes up to 2012, but I hope she will understand that long-term decisions on climate change funding will need to come from the comprehensive spending review, and that work is happening at the moment.

Mr Gregory Campbell (East Londonderry) (DUP): What account will the Minister take of the increasingly emerging conflict of interest and information on climate change as he develops the development goals?

Mr Mitchell: I am not sure that I recognise the hon. Gentleman's point about disagreements on the basic science. I think there is agreement on the basic science, and an authoritative Dutch report published this morning underlines that very point. I would be happy to engage with the hon. Gentleman on what those doubts are, perhaps by letter.

Funding Decisions

10. **Penny Mordaunt** (Portsmouth North) (Con): What mechanism is used by his Department to decide what funding to provide to projects. [6270]

The Secretary of State for International Development (Mr Andrew Mitchell): All project proposals are developed within agreed strategies, discussed with relevant partners, and subject to careful appraisal. We are reviewing all major spending areas to ensure that they represent value for money.

Penny Mordaunt: In the case of countries in receipt of UK aid that also have considerable wealth and are pursuing an aggressive economic growth strategy, such as India, what mechanisms will also be in place to encourage and support them to ensure that they sort out their social problems in an equally aggressive manner?

Mr Mitchell: My hon. Friend makes an important point that is at the heart of the bilateral review of British aid spending, which we are conducting at the moment. She specifically mentions India, but India is different from China in that an Indian's average income is only a third that of a Chinese. India has more poor people than the whole of sub-Saharan Africa, and, through the Commonwealth, we have deep links with India. We will consider all these matters in the context of that bilateral review. *[Interruption.]*

Mr Speaker: Order. I appeal to the House to calm down. A number of Members, including very senior and distinguished Members, are conducting animated conversations from a sedentary position, but I want to hear Andrew Gwynne.

Debt Relief (Developing Countries) Act

11. **Andrew Gwynne** (Denton and Reddish) (Lab): When he plans to assess the effectiveness of the operation of the Debt Relief (Developing Countries) Act 2010; and if he will make a statement. [6271]

The Minister of State, Department for International Development (Mr Alan Duncan): I acknowledge the success of the hon. Member in initiating this important Act, which is a key part of action against so-called vulture funds. It means that UK courts of law can no longer be used to pursue excessive claims against some of the poorest countries on their historic debts, ensuring that resources are available to tackle poverty. We will review the effectiveness of this new Act before the sunset clause expires next June.

Andrew Gwynne: May I take this opportunity to place on record my thanks and appreciation to Sally Keeble, who successfully steered the Bill through while I was recovering from illness? Given the importance of this legislation to the 40 most indebted countries, will the Minister please ensure that it continues so that these important measures remain in place in the UK and that never again will a British court be used to take the third-world debts from these countries?

Mr Duncan: I acknowledge the work of the hon. Gentleman and the former hon. Lady in putting the legislation on the statute book. It was there as a result of the wash-up in the last Parliament, and so enjoyed cross-party agreement. The Act has been in place for only a month, and we will examine its effectiveness in the hope that it can be shown to work and can be renewed in the future.

Poverty and Hunger Eradication

12. **Richard Ottaway** (Croydon South) (Con): What his most recent assessment is of the effectiveness of his Department's contribution to the achievement of the millennium development goal on the eradication of extreme poverty and hunger. [6272]

The Parliamentary Under-Secretary of State for International Development (Mr Stephen O'Brien): While globally MDG 1 is the most on-track MDG, we recognise that in Africa and some parts of Asia it is still well off track. DFID is fully committed to meeting the target. For example, in Ethiopia we are helping 7.5 million people to access more and better-quality food, and in Bangladesh we are providing 1 million people with agricultural services, helping to increase incomes by 50%.

Richard Ottaway: Is not the most effective way of achieving those millennium development goals to stabilise world population growth? What focus is his Department giving to that programme?

Mr O'Brien: I congratulate my hon. Friend on his election as Chair of the Select Committee on Foreign Affairs, and I pay tribute to his expertise in the House on population, and, above all, to his recognition that, as part of all our reviews and DIFD programmes, we are embedding the choice for women to decide whether and when to have children, and to ensure that that helps to underpin not just MDG 1 but many of the other MDGs.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): As the millennium development goals have been developed, what financial and technical support will the Department give to the newly created UN Women's Agency to make a genuine difference to women in poverty in the third world? It is well recognised that direct help for women is the best bet for both families and communities.

Mr O'Brien: We pressed for that to take place, and I am aware that the candidates who will be considered for the post are well forward in the process. We are encouraged that that is going to be taking place, and it has our full support.

Education

13. **Mr Mark Williams** (Ceredigion) (LD): What steps he is taking to seek to ensure that the millennium development goals relating to education are met. [6273]

The Secretary of State for International Development (Mr Andrew Mitchell): Achieving the millennium development goals, including those for education, is at the heart of the Government's development policy. We are reviewing all our programmes to ensure we focus on those that deliver maximum value for money.

Mr Williams: I thank the Secretary of State for that response, but may I also commend to him the Global Campaign for Education's work on this matter, in particular its request that the UK Government commit themselves to a 10-year sector plan for education? If there is one thing that education needs, particularly primary education, it is stability in those funding streams.

Mr Mitchell: The hon. Gentleman makes an important point about consistency and clarity of funding, and we will be looking at all these points in connection with the bilateral review of how we spend money in each of our target countries. As he knows, an important conference is taking place this weekend in South Africa, which I hope a Minister will be able to attend.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [6246] **Alun Michael** (Cardiff South and Penarth) (Lab/Co-op): If he will list his official engagements for Wednesday 7 July.

The Prime Minister (Mr David Cameron): As the House will be aware, today is the fifth anniversary of the 7 July terrorist attacks on central London. I am sure that everyone in the House and people in the country will remember where they were, and what they were doing, when that dreadful news came through. Our hearts should go out to the families and friends of those who died. They will never be forgotten. Our thoughts are also with those who were injured, physically and mentally, by the dreadful events of that day. It was a dreadful day, but it was also a day that will remain—I believe—a symbol of the enduring bravery of the British people.

This morning, I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further such meetings later today.

Alun Michael: Will the Prime Minister join me in congratulating the people of Somaliland on the successful, peaceful and transparent election of a new President? As the Somaliland republic has now been a beacon of democracy in Africa for nearly 20 years, will the Prime Minister ensure that the UK keeps its promise to increase engagement with a new Government with democratic credentials?

The Prime Minister: The right hon. Gentleman is right to raise this important issue concerning an area of the world of enormous importance for our own security. I join him in welcoming the peaceful and credible elections in Somaliland. They are an example of genuine democracy in an area of the world not noted for it. The UK provided funding for election supervision, and we are keen to engage with the new Government. I believe, and I am sure the whole House would agree, that the key is to prevent terrorist groups from establishing a foothold in Somaliland, as they have done in Somalia. That is vital, and, yes, the Government will continue to engage.

Mr James Gray (North Wiltshire) (Con): The Prime Minister will not be surprised to hear that I intend to continue campaigning to keep the Hercules fleet at RAF Lyneham in my constituency as long as I can. However, if, at the end of the day, it moves to Brize Norton in his constituency, and takes with it the jobs and economic prosperity that go with it, will he at least use all his good offices to ensure that we find some way of bringing jobs and economic prosperity back into the vacated site at Lyneham?

The Prime Minister: My hon. Friend has fought a long and noble campaign on this issue, and has made very strong arguments—I know how strong they are, because every time I get into a Hercules, whether in Afghanistan or elsewhere, the pilots always immediately complain about having to move from his constituency to mine. He makes a good point about economic development, and we will ensure that, if this goes ahead, we will see good, strong economic development in his constituency.

Ms Harriet Harman (Camberwell and Peckham) (Lab): I support what the Prime Minister has said on the fifth anniversary of the terrible 7/7 bombings. Today we remember those who were killed and injured, and their families and friends. We pay tribute to the emergency services, which responded with such care and such courage, and we stand with the Government in our determination to defeat those who would bring terror to our streets.

There has been a lot of progress on tackling domestic violence, but still every year hundreds of thousands of women are victims of it. Many of the perpetrators are sent to prison—rightly, in my view—but now the Justice Secretary has embarked on a sentencing review, and has suggested that short sentences do not work. However, often what is needed in domestic violence cases is not rehabilitation, but a clear message to the perpetrator that it must not be repeated, and a clear message to the victim that the justice system takes this seriously. That is what a short sentence can do. Will the Prime Minister confirm that the sentencing review will not stop magistrates giving short prison sentences for domestic violence?

The Prime Minister: First, I thank the right hon. and learned Lady for what she said about the anniversary and the tribute that she rightly paid to the emergency services, which played an unbelievably brilliant role on that day, and to the many people who helped them.

The right hon. and learned Lady is absolutely right to raise the issue of domestic violence. For too many years it was an issue that police forces and prosecutors did not deal with properly, and to be fair to the last Government, good progress has been made over the past decade. I agree that there are occasions when short sentences are required, and indeed the Lord Chancellor takes exactly the same view. He said in the speech—*[Interruption.]* It is very important to read the speech, not just the headline. He said:

> "In my opinion, abolishing all short-term sentences altogether...would be a step too far. We need penalties for the anti-social...recidivist."

We need to ensure that magistrates have that power, but the review is important to try to ensure that we get this right.

Ms Harman: I thank the Prime Minister for that reassurance. It is reassuring that the promise that the Liberal Democrats made at the election is not going to be carried forward. I notice that the Justice Secretary is not looking very cheerful; perhaps he should go down to Ronnie Scott's to cheer himself up.

May I congratulate the Prime Minister on, instead of listening to his new partner, listening to his mother? In the election he told us that his mother was a magistrate and that she told him that magistrates needed the power of short sentences. Quite often, it is the right thing for somebody not to listen to their new partner but to listen to their mother, so I am glad that he has done that on this occasion.

I turn to something else mentioned in the election campaign. The Prime Minister said that any Minister who comes to him with cuts to front-line services

"will be sent straight back to their department to go away and think again."

Does that apply to the Home Secretary?

The Prime Minister: First, may I say that in my experience there are very few people more cheerful than the Lord Chancellor. He is celebrating his 40th anniversary in this House, and he likes to point out that he was elected before the Chancellor of the Exchequer was born. He brings enormous experience and good humour to all our counsels.

I am delighted that the right hon. and learned Lady has brought up the issue of my mother, who served on the Newbury bench for many, many years. I have to say that one of the biggest challenges she had—*[Interruption.]* As well as me, one of the biggest challenges that she had, and one of the reasons why she needed to hand out so many short sentences, was badly behaved CND protestors outside Greenham Common. *[Interruption.]* I do not know whether the right hon. and learned Lady was there. Anyway, if she wants to have more episodes of "Listen With Mother", I am very happy for that at any time she would like.

On the Home Office, of course we have to make savings. We have to make savings across Government. It is not going to be easy, but absolutely we must ensure that we do everything we can to protect the front line. However, I simply do not believe that when we look at the Home Office budget there are not examples of waste and inefficiency and things that we can do better. The right hon. and learned Lady went into the election calling for 20% cuts in every Department. That was her policy—a policy of 5% cuts each year. Ours is 6% cuts each year, so these are Labour cuts as well.

Ms Harman: We went into the election very clear about protecting police numbers. I am asking the Prime Minister a straightforward question, which he has so far failed to answer. At Prime Minister's questions, he was asked by my hon. Friend the Member for Westminster North (Ms Buck) this very simple, straightforward question:

"Will there be fewer police officers at the end of this Parliament"—[*Official Report*, 23 June 2010; Vol. 512, c. 287.]—

compared with now? He skirted around her question and did not answer it. Will he answer it now?

The Prime Minister: Of course there will be difficult decisions, but let me—[Hon. Members: "Ah!"] A simple question was put to the shadow Home Secretary before the last election. *[Interruption.]* Wait for it:

"Andrew Neil: Can you guarantee if you form...the next government that police numbers won't fall?

Alan Johnson: No".

Ms Harman: But my right hon. Friend the Member for Kingston upon Hull West and Hessle (Alan Johnson) went on to say—I think that that was selective quoting—that we would guarantee the funding that would ensure police numbers and the numbers of police community support officers. We were absolutely clear about that. The Prime Minister's Lib Dem partners said that they would have 3,000 more police officers on the beat, while he said that he would protect front-line services. Is either of those promises going to be kept? People who are concerned about crime want to know.

The Prime Minister: There is nothing selective about the word no. That is what the shadow Home Secretary said when he was asked whether he could guarantee that there would be no cuts in police numbers. Let us remember why we are here. We have a £155 billion budget deficit. The Labour party went into the last election promising 50% cuts in capital spending and 20% cuts in departmental spending. We are clearing up the mess that Labour made. I sat at the G20 table last weekend and, looking round the table, thought, "Who's got the biggest budget deficit? Is it Brazil? No. Is it Spain? No. Is it Argentina? No." Labour left us in a situation where we get lectured by Argentina on the state of our budget deficit.

Ms Harman: If the right hon. Gentleman had read the Office for Budget Responsibility report, he would have seen that its forecast for Government borrowing was lower than the forecast that we made before the election—if he had read it, he would probably also have found that the Chair would not have resigned immediately after being appointed. Is it not clear that these are the Government's crime policies—that the right hon. Gentleman is threatening to take away the police officers people want on the beat, cutting down the right of local residents to CCTV and making it harder for the police to use DNA evidence? Those are his policies. Let me ask him a straightforward question: does he think that those policies are more likely to make crime go down or go up?

The Prime Minister: The point is that under the last Government violent crime and gun crime went through the roof. The right hon. and learned Lady—*[Interruption.]* They almost doubled.

David Miliband (South Shields) (Lab) *indicated dissent.*

The Prime Minister: The shadow Foreign Secretary is shouting and shaking his head. Gun crime and violent crime almost doubled under the last Government. There is going to be a rush of new Labour memoirs coming up, so perhaps hon. Members should start with the report of the spin doctor who worked for the last Prime Minister, who—

Mr Speaker: Order. No, we will not bother with that.

Ms Harman *rose—*

Hon. Members: Hear, hear!

Mr Speaker: Order. I am very clear what is in order and what is not, and that is the end of the matter.

Ms Harman: Before the election, we were hearing all about tougher policies and more police from the Conservatives; now all that seems to have sailed off with those prison ships that the right hon. Gentleman was promising to buy. We were clear: we said when we first came into government that we would bring crime down, and we did. Will he promise that under his Government he will keep crime coming down? If he will not make that promise, it is only because he knows, as we all know, that his policies will put crime up.

The Prime Minister: Mr Speaker, I was only trying to boost sales.

I can promise the right hon. and learned Lady one thing: I will not be wandering round my constituency in a stab-proof vest. That is what it came to under the last Government. Gun crime went up, violent crime went up, reoffending of prisoners went up, every prison place cost £45,000, more than 10% of prisoners should not have been there because they are foreigners, half of them are on drugs and 40% of them commit a crime on the way out of prison. That is the record that we have inherited, and that is what we will be clearing up.

Mr John Baron (Basildon and Billericay) (Con): The latest report from the US Department of Defence to Congress highlighted the speed and decisiveness of insurgent propaganda in Afghanistan as a key threat to allied forces. What can the coalition do to counter this threat, given that the longer it goes on, the harder our task becomes?

The Prime Minister: My hon. Friend makes an important point, which is that we are not just fighting a war on the ground; there is a propaganda war as well. We have to demonstrate the progress we are making in training up the Afghan army and the Afghan police, and in spreading security and governance across Afghanistan—particularly, in our case, in southern Afghanistan. I can tell my hon. Friend that we will be publishing a monthly update and having quarterly statements in the House to ensure that we keep the British public fully informed and on side as we take difficult decisions in this conflict.

Q2. [6247] **Jim McGovern** (Dundee West) (Lab): In the run-up to the general election, the Conservatives claimed to be the party that would support small businesses, yet in their first Budget they cancelled tax breaks for the computer games industry, which is crucial to my constituency. Can the Prime Minister tell not only me and the House but the hundreds of people in Dundee who are employed in the computer games industry and the students who study at Abertay university exactly why his Chancellor feels that that tax break was poorly targeted?

The Prime Minister: We believe that what matters is having low tax rates, and what we did in the Budget—which the House voted on last night—was to cut the small company rate of corporation tax back down to 20p from 22p and set out a path for getting corporation tax down to 24% by the end of this Parliament. That would give us one of the lowest tax rates in the G8, the G20 or anywhere in Europe. That is what we will benefit from, but I note that the Labour party voted against those tax reductions.

Q3. [6248] **Mr James Arbuthnot** (North East Hampshire) (Con): How can my right hon. Friend reassure my constituents about the planning system? Under the last Government, my local councils turned down some massive developments such as the Pyestock mega depot, only to have those decisions overturned by Ministers who had never even visited the site. How can we re-engage local people in these local decisions?

The Prime Minister: I want to reassure my right hon. Friend, because it is right that local authorities should be taking decisions that affect people and that those decisions should be taken as locally as possible. We are scrapping the targets and the bureaucracy that we inherited from the Labour party. I can tell him that, since the election, we have managed to scrap the new unitary councils; the comprehensive area assessments have gone; regional spatial strategies—gone; regional assemblies—gone; home information packs—gone; and Labour's ports tax and bins tax have both gone.

Mr Nigel Dodds (Belfast North) (DUP): If the respect agenda is to mean anything, surely it should include proper consultation with the devolved Governments and legislatures on fundamental constitutional and political reform, which affects all parts of the United Kingdom and will affect the composition of the devolved legislatures. Will the Prime Minister therefore undertake urgently to enter into discussions with the representatives of the devolved Administrations and, if necessary, revise his proposals in the light of what they have to say? Let us have a proper respect agenda.

The Prime Minister: Of course these discussions need to take place, and they will take place—*[Interruption.]* Let me answer the question very directly, because I listened very carefully to the statement by the Deputy Prime Minister, my right hon. Friend the Member for Sheffield, Hallam (Mr Clegg) on this issue. The date and the nature of the referendum are Westminster Parliament issues and it is right that they should be brought before the Westminster Parliament first; it does not make sense to take them in front of other Parliaments and Assemblies first. That is the way to do it—*[Interruption.]*

Mr Speaker: Order. Members should not shout at the Prime Minister in that way. First of all, it is rude. Secondly, it delays the progress of our proceedings, and we really must not have it.

Q4. [6249] **Julian Sturdy** (York Outer) (Con): Can the Prime Minister reassure concerned Equitable Life victims in my constituency that the Government remain committed to ensuring justice for policyholders?

The Prime Minister: I can certainly give my hon. Friend that reassurance. We are committed to a Bill in this Session. This needs to happen. It was in 2008 that

the parliamentary ombudsman referred to a "decade of regulatory failure". The fact that we have had to wait until now for this to be done is wrong. The last Government had plenty of opportunities to grip this, but I am afraid that, in quite a cynical way, they were just waiting and waiting, so that more of the Equitable Life policyholders were dying off. That is disgraceful, and we need to get this done.

Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): Last Saturday afternoon, I joined the community of Stonehouse in my constituency to welcome home Sergeant Gary Jamieson. Sergeant Jamieson, from the Scots Guards, lost both legs and his left arm in an explosion in Afghanistan. The most humbling aspect of meeting Sergeant Jamieson was his distinct lack of bitterness. He fully supports the mission in Afghanistan, and strongly believes that the British forces there are making a difference. May I ask the Prime Minister to join me in paying tribute to a true British hero, and does he agree that the most fitting way in which to pay tribute to those who have made the ultimate sacrifice, and those who have suffered the most terrible injuries, is to stay in Afghanistan until the job is done?

The Prime Minister: I certainly join the hon. Gentleman in paying the tribute that he has rightly paid to Sergeant Jamieson and to all who have served. Anyone who has met some of the soldiers—when visiting Headley Court, or elsewhere—who have lost limbs in combat, through improvised explosive devices or in other ways, cannot help being incredibly impressed by their spirit and bravery, and their determination to go on and live as full lives as possible.

We have set out very clearly what we want to achieve in Afghanistan. This is the key year, when we surge up the military forces and surge up the political pressure. My right hon. Friend the Secretary of State for Defence will make a statement later today about how we can best do that, and how we can ensure that our forces are properly spread across Helmand province so that we can really have the effect that we want.

Let me be clear. Do I think that we should be there, in a combat role or in significant numbers, in five years' time? No, I do not. This is the time to get the job done, and the plan that we have envisages our ensuring that we will not be in Afghanistan in 2015. We have already been in Helmand for four or five years, and, obviously, we have been in Afghanistan since 2001. It is time to maximise the pressure now, and then to bring our forces home as we train the Afghan army and police force to do the job that needs to be done, which is to keep the country secure. That is our goal, that is in our national security interest, and that is what we will do.

Q5. [6250] **Annette Brooke** (Mid Dorset and North Poole) (LD): Park home owners are often elderly and vulnerable, and some suffer greatly as a result of the actions of a small minority of site owners. They suffer threats, intimidation and neglect. Will the Prime Minister meet a small delegation, and me, so that we can discuss how park home owners may be better protected?

The Prime Minister: I have every sympathy with what the hon. Lady has said. I suspect that many Members—including me—have encountered problems with park home owners who have been really badly treated by, frankly, pretty disreputable site owners. We all know of cases in which people who want to sell are put under pressure, and the rules are used to prevent them from obtaining fair value. It is not right, and it is not fair. The Minister for Housing, my right hon. Friend the Member for Welwyn Hatfield (Grant Shapps), is looking into the issue, and I think it is probably best for the hon. Lady to meet him in order to ensure that we have robust rules and the right approach, so that the rights of park home owners are respected.

Mr Chuka Umunna (Streatham) (Lab): On Friday, my constituent Zac Olumegbon was murdered in a planned attack close to his school. He was just 15, and I know that the thoughts of the entire House will be with his family at this very difficult time. He was the 13th teenager to lose a life needlessly in our capital city. Can the Prime Minister tell me, the rest of the House and the country what his Government are doing, and will be doing, to stop this happening in our communities?

The Prime Minister: The hon. Gentleman is absolutely right to raise that case, about which everyone will have read. It is absolutely horrific, and it seemed so planned and premeditated. It is appalling to think that things like this happen on our streets. What will we do about it? I think that we need short-term measures, and then much longer-term measures as well.

In terms of the sentencing review, it is clear to me that we need to send the strongest possible signal that carrying a knife on our streets is just unacceptable. We need to send the signal that it is not a defensive measure, that it is not a cool thing to do, that it should not happen, and that the punishment will be tough. That, in my view, is the short-term measure that we need. As for the longer-term measures, we must do more to strengthen communities, to strengthen families, and to give people an alternative to the gangs towards which they will otherwise be drawn. Too many young people join a gang because they do not have other networks, help, respect and hope in their lives. That is a long-term agenda, it is an agenda that I know is shared on both sides of the House, and we must pursue it.

Q6. [6251] **Mr James Clappison** (Hertsmere) (Con): Can my right hon. Friend give an assurance that he will resist further moves towards economic governance of the United Kingdom by the European Union, and that we will not see the vetting of our Budget plans by the European Commission before those plans are presented to the House?

The Prime Minister: My hon. Friend is entirely right. The UK Budget should be shown to the UK Parliament—the Westminster Parliament—before it is shown to anyone else, and that will always be the case under this Government. I am pleased to report that subsequent to the publication of our Budget, a number of international bodies—such as the OECD, the EU, the G8 and the G20—have recognised that it is an extremely good Budget that will help to put this country back on track.

Mr William Bain (Glasgow North East) (Lab): Can the Prime Minister give the House a clear pledge today on child poverty? Will there be fewer children in this country living in relative poverty by the end of this Parliament—yes or no?

The Prime Minister: We are absolutely committed to meeting the child poverty targets. I remind the hon. Gentleman that this Budget, despite all its difficulties, does not add a single family to child poverty, in contrast to the last Government, who put up child poverty by 100,000—*[Interruption.]* They shake their heads. Check the figures and come back to me.

Q7. [6252] **Mr Robert Buckland** (South Swindon) (Con): Will my right hon. Friend give an assurance that all new academies that will be set up will be obliged to accept children with special educational needs?

The Prime Minister: I can absolutely give my hon. Friend that assurance. Academies will be required to ensure that pupils with special educational needs are admitted on the same basis as other schools. Children with special educational needs have special needs, and a compassionate, decent and tolerant country will ensure that they get the help, support, education and love that they need.

Angela Smith (Penistone and Stocksbridge) (Lab): The chief executive of Sheffield Forgemasters, Dr Graham Honeyman, was last year presented with a lifetime achievement award by the Institute of Directors, but various Government Front Benchers have made unwarranted personal attacks on him in the media. Will the Prime Minister apologise now for those unjustified attacks on a highly regarded business man?

The Prime Minister: I am sorry to disagree with the hon. Lady, but no one has made an attack. This is an excellent company. The question is whether it is an appropriate use of taxpayers' money to give it to a business that could raise that money by diluting its shareholding. Labour simply does not understand. It handed out money before the election without asking whether it was value for money. No wonder we are in such a complete mess.

Q8. [6253] **Roger Williams** (Brecon and Radnorshire) (LD): The UK has a splendid reputation for the quality of its agricultural science and research, and these skills will be needed to face up to the challenges of climate change and an increasing world population. Will the Prime Minister confirm that Government and EU policy decisions on such matters will be taken on the basis of sound science and proportionate regulation?

The Prime Minister: I know that the hon. Gentleman is a member of the all-party group on science and technology in agriculture. These are difficult issues, but my view is that we should be guided by the science. We should also be guided by what consumers want, and it is vital that we have accurate labelling. That will really be the key to ensuring that we make progress with this issue in a way that keeps the public on side and allows them to understand what it is that they are buying and consuming.

Mr David Anderson (Blaydon) (Lab): The whole House will be aware of and concerned by the ongoing incident in the north-east. The killing of Chris Brown and the wounding of Samantha Stobbart took place in my town of Birtley, and our thoughts and prayers should go out to their families and friends, and to PC David Rathband and his folk. Can the Prime Minister update the House on this issue, and can he assure us that all lessons will be learned from this incident? Can we especially look again at getting guns off our streets?

The Prime Minister: The hon. Gentleman is right to raise this case, and the whole country is thinking of those who have lost their lives and those who have been injured. It is a horrific case. I do not think that it is right now to start to talk about learning lessons: this is an ongoing case. The Home Secretary has been briefed by the chief constable and I know that the House and the country will wish the police well in their search for this individual, so that we can put a stop to the horrendous spree that is taking place.

Q9. [6254] **Dan Rogerson** (North Cornwall) (LD): Voting by non-resident home owners in regions such as Cornwall is becoming a contentious issue. Councils are not checking whether people are voting in two locations in the same election, and local residents are worried that sometimes election results might be skewed. Will the Prime Minister meet me, or invite one of his ministerial colleagues to do so, to discuss this issue?

The Prime Minister: I am very happy that one of my colleagues should have a meeting with the hon. Gentleman. It is important that we make sure that electoral registers are accurate. It is also important to recognise that it is an offence to vote at a general election in two different places. However, I think that there are problems with saying whether second home owners can vote. I think that a number of hon. Members might take rather a dim view, as some of them might not be able to vote in their own constituencies, but I am happy for the hon. Gentleman to have a meeting with the Minister responsible for electoral registration.

Decent Homes Programme

Q10. [6255] **Rushanara Ali** (Bethnal Green and Bow) (Lab): What discussions he has had with ministerial colleagues on the future funding of the decent homes programme.

The Prime Minister: First, may I welcome the hon. Lady to the House?

Good quality social housing is vital, especially in areas such as her constituency. It is completely unacceptable today that 58% of the housing in her constituency is not of a decent standard. We have a huge backlog of work to be carried out. We have ploughed £170 million back into social housing schemes this financial year, which the last Government promised but did not fund. Clearly, the decent homes programme will have to be looked at in the spending review, but I understand the force of argument in her constituency particularly.

Rushanara Ali: I thank the Prime Minister for that reply. Is he aware that some 7,000 council homes in Tower Hamlets still need to be brought up to the decent homes standard? The previous Government committed £220 million towards addressing the problem. Will his Government honour that commitment to my constituents?

The Prime Minister: As I said, we have filled in some of the black hole left by the last Government because a promise of extra spending was made but the money was not found. While we made the £6 billion-worth of cuts to start sorting out the finances, we used some of the saved money to fill in the black hole so that those social housing schemes could go ahead. Clearly, the decent homes programme is important. We have to make sure that it provides value for money, but the hon. Lady's constituency has very great needs, with so many substandard houses.

Engagements

Q11. [6256] **Gloria De Piero** (Ashfield) (Lab): My nine-year-old constituent, Paisley Ward, says that she and her brother learned to swim because it was free. Paisley is worried that her little sister will not be able to learn because this Government want to charge. In her letter, Paisley says,

"please, please stop this madness".

Will the Prime Minister listen to Paisley and have a rethink?

The Prime Minister: First, may I congratulate the hon. Lady? Many people in this country think that this is a good time to leave politics and go into the media. May I congratulate someone who left the warmth of the GMTV sofa in order to sit on a green Bench here?

The hon. Lady raises an important case, but I have to tell her that not all Labour councils were able to deliver the free swimming pledge. I am afraid that this is one of the things, like many others, that it will not always be possible to guarantee in the incredibly straitened times that we are living in, when we have a £155 billion budget deficit to deal with.

Afghanistan

12.32 pm

The Secretary of State for Defence (Dr Liam Fox): Mr Speaker, I am pleased to have this opportunity to update the House on our operations in Afghanistan. As the Prime Minister has said, we intend to make regular updates to the House.

As this is a complex subject, I have made maps available to assist hon. Members. I am grateful to you for your support, Mr Speaker. These are now available in the Vote Office, and the Whips on both sides of the House are distributing them. In addition, I will obviously be happy to arrange further briefings at the Ministry of Defence, should Members find them useful.

The Prime Minister reminded us today of the ongoing sacrifices made by our armed forces in Afghanistan. In the face of such losses, we should be in no doubt about the importance of the mission—particularly today, the fifth anniversary of the London bombings in 2005. It is vital to our national security that we have a stable Afghanistan that is able to maintain its own security and prevent al-Qaeda from returning.

As I made clear in Washington last week, we are a committed member of the international coalition of 46 countries in Afghanistan. We have a clear political strategy, and a clear military counter-insurgency plan to support it. The focus now is on delivering, and we can be confident that General Petraeus will build on the considerable success of General McChrystal.

We face many challenges. Progress has been slower in some areas than others, particularly on the political side. We can expect success in counter-insurgency to be gradual, cumulative and hard won, but there has, nevertheless, been considerable progress. Through a UK lens, it would be easy to assume that all of Afghanistan is like Helmand. In fact, many parts of the country are largely secure, with low levels of violence. In Kabul, the Afghans themselves have assumed responsibility for security, and have proved themselves capable of dealing with the localised threats that have emerged.

We are also making good progress on building up the Afghan security forces, so that this pattern can be repeated elsewhere. The Afghan army has been growing steadily over the years—and by 20% in recent months—to about 130,000 troops now. We are playing our part, and the Government have recently approved the expenditure of up to £189 million on new surveillance, communications and logistics equipment for our bases, as part of Britain's ongoing commitment to support the effective partnering of the Afghan security forces.

In southern Afghanistan, the story of this year has been one of the Afghans themselves increasingly coming to the fore in the fight against the insurgency. In Kandahar, and under the direct oversight of President Karzai, Afghan security forces are leading operations as part of a rising tide of security in order to set the conditions for improved Afghan governance. In Helmand, Afghan and international security assistance force units have together succeeded in expanding the authority of the Afghan Government to 11 out of the 14 districts, by driving insurgent fighters out of the population centres of Babaji and Nad-e-Ali, while consolidating previous gains in Lashkar Gah, Now Zad, Nawa and Gereshk. The situation in Marjah remains challenging, but counter-insurgencies are about progressively winning the confidence of the local people, and the US Marines are well placed to succeed.

Elsewhere in central Helmand, where our presence is more established, we have seen considerable success. In Nad-e-Ali, British troops have been operating alongside the Afghans to secure the district centre and allow unfettered access to local roads Improved security is allowing effective governance to flourish and trade to grow. In May, for example, around 3,000 Nad-e-Ali residents elected a more representative district community council. ISAF now intends to reinforce this success. For that reason, I have accepted an ISAF request for a temporary deployment of elements of our theatre reserve battalion, the 2nd Battalion the Duke of Lancaster's Regiment. The theatre reserve battalion is a standing force based in Cyprus, which I have instructed should be used only for time-limited deployments to fulfil specific tasks. This deployment will meet those criteria. The additional forces will be used to give commanders additional flexibility to reinforce progress in central Helmand this summer.

In a counter-insurgency campaign, the people are the prize. It is hugely important that we strike the right balance between the numbers of the civilian population and the size of the security forces available to protect them. The Prime Minister and I regularly argued in opposition that British troops in Helmand were too thinly spread and that we had insufficient force densities for effective counter-insurgency. That is why we welcome the arrival of more than 18,000 US Marines, whose presence is allowing us to deliver a better and more realistic distribution of tasks within the international coalition.

As the House is aware, ISAF has already transferred security responsibility for Musa Qala and Kajaki to US forces, who are building on our achievements there. Lieutenant General Rodriguez, ISAF's operational commander, will today announce the next phase of this process—I understand that he will do so within the next hour. ISAF intends to restructure its forces in the Farah and Nimroz provinces so that it can consolidate a US marine brigade in northern Helmand, which will assume responsibility for security in Sangin later this year. This will simplify current command arrangements and enable UK troops to be redeployed to reinforce progress in the key districts of central Helmand. The theatre reserve battalion will then withdraw. The result will be a coherent and equitable division of the main populated areas of Helmand between three brigade-sized forces, with the US in the north and south, and the UK-led Task Force Helmand, alongside our Danish and Estonian allies, in the central population belt.

We have been closely consulted by ISAF, and fully support this plan. In Sangin, UK forces have made huge progress in the face of great adversity. The district centre has been transformed. Helmand, as a whole, is a safer place as a result of our endeavours and sacrifices there. I am sure that the whole House will join me in paying tribute to those who have lost their lives in Sangin, and those who continue to serve there.

The operations in Afghanistan, though geographically distant, are of vital importance to our national security. On the ground, we continue to make progress. There will be hard days ahead, but the further changes that I

have announced will mean more manpower and greater focus for the key terrain of central Helmand. We have the right strategy, and we are determined to succeed. I commend this statement to the House.

Mr Bob Ainsworth (Coventry North East) (Lab): I thank the Defence Secretary for his statement, for early sight of it and for the indications that he gave me yesterday about the broad outline of what he was going to say today. That is good news for our ability to continue to support, from all parts of the House, our forces' operations in Helmand province.

I welcome what the Defence Secretary said about his commitment to regular updates to the House, and his offer of briefings in the Ministry of Defence, but will he consider continuing the direct military briefings that started last year for Members here at the House of Commons? They were appreciated by Members on both sides, and I know that the all-party Army group has written to him and asked him to continue them. If he could, that would be appreciated. I know that it is onerous in terms of his time, but I ask him to consider doing so.

I totally agree about the purpose of the mission. Our forces are in Afghanistan to protect our national security and to keep us safe. The right hon. Gentleman says that we have a clear counter-insurgency plan and the military tactics to support that plan, but he knows that there is some concern and confusion over whether there are deadlines. Will the Government do their level best to clear up that confusion, so that people know the exact commitments? Is our combat mission in Afghanistan to continue on a conditions-based footing until the Afghan forces can take over, as was the situation, or is there a very clear deadline from the new Government stating that our combat mission will end on a particular date, irrespective of the conditions in Afghanistan? It is enormously important to clear up that point.

The right hon. Gentleman felt the need to say that, in opposition, he and the current Prime Minister repeatedly said that there were issues of force density, but I ask him to accept that it was not only he in opposition who felt the need to concentrate on and deal with force densities, because we in government had exactly the same priorities. Before force densities could be addressed, however, we needed to have someone to hand those districts on to, so, before the arrival of the American uplift, we could not hand on Musa Qala, Kajaki or Sangin to anyone other than the Taliban. Thankfully, the American uplift now gives us an opportunity to rebalance our forces in Afghanistan, and we have been doing that for some time. I understand that his announcement today is simply a continuation of an ongoing process. Does that effectively end the need for force rebalancing? In the British area of operations, do we now have the same ratio of forces to population as the Americans have on their side of the line?

The right hon. Gentleman said that Marjah is very challenging. Does he intend to deploy elements, as he said, of the theatre reserve battalion to the American—Marjah—area of operations? If so, for how long, and in what numbers? He says "elements". Does that mean the whole theatre reserve battalion? Do we now, effectively, have no reserve for the rest of the deployment, or are some elements of the theatre reserve battalion still available to cover other contingencies that might arise?

We had already agreed in principle to hand command in Sangin over to the American brigade. I understand that the Secretary of State is now saying that it is not only in terms of command—the Americans themselves will take over in Sangin. When will that happen? Has he any idea what forces will be deployed, and in what numbers, into the Sangin area?

Does the Secretary of State accept that there will be mixed emotions, and pretty deep emotions, among many elements of our armed forces who have served in Helmand—not only those who have experienced injury, but those who have lost loved ones, which includes families back here, and everybody who has served in the most dangerous part of our theatre of operations? Our forces went out there on a daily basis to patrol, fully knowing the risks that they faced, and the whole House must pay tribute to the immense bravery, courage and resilience that they have shown over a period of time. They have achieved some considerable improvements in Sangin, but I think that the Defence Secretary will accept that we are still handing on a challenge. We have not got as far as we ideally would have hoped to get in Helmand before this hand-on.

Dr Fox: I am very grateful to the right hon. Gentleman for his support for the specific proposals that I have set out today and for his general support on the mission in Afghanistan. He was very generous with the briefings that he made available to the Opposition when he was in government, and we will continue the same courtesy. I also fully intend to continue the briefings for Members of Parliament begun under the previous Government; they are very valuable. In addition, as I said, if we are able to provide more detailed briefings in the Ministry of Defence, we are happy to do so. We should not, in any way, shape or form, be shy about providing any Member of this House with the information they require to make better sense of what is happening in this most important national security mission.

The shadow Secretary of State is entirely correct that it took until the American surge was fully under way for us to be better able to have sensible force densities. He asked me directly about comparisons between the British and Americans. Combat Team North has a population of 441,000, which is 37% of the population; Task Force Helmand has 388,000, or 32%; and Combat Team South has 370,000, or 31%. These are much better matches in terms of force density. He asks if this will effectively be it. Well, not necessarily, as there will be changes in the mission, but we will want to continue this pattern, or shape, in terms of force density. As he says, we have reached the end point, at least for now, of a process that began some time ago.

On the size of the theatre reserve, we will have some 300 personnel, and they will stay there until October. The size of the current UK force is about 1,000—I think that the exact number is 1,008. The exact number that the Americans put in will of course be for their commanders to determine in terms of the security situation that they find.

As regards 2015, I can only repeat what the Prime Minister has said—that British troops will not be there in a combat role, or in significant numbers, in five years' time, but we can expect them to still be there in a training role. There will be a continued need for us to ensure that the quality of the Afghan national security

[Dr Fox]

forces is adequate. I echo the point that he made by saying that we are very fortunate in this country to have a volunteer Army—people who are willing to put their life and limb at risk on a voluntary basis for the security of this country, its people and its interests. We are deeply honoured and privileged to have such people in our armed forces.

Mr James Arbuthnot (North East Hampshire) (Con): I welcome my right hon. Friend's statement and particularly what he said about the ratio of troops to local population.

General McChrystal instigated a change of policy so that our troops should fire only when they were absolutely sure that Afghan civilians would not be put at risk. Inevitably, that put our troops at a greater degree of risk, but with the longer-term aim of maintaining the support of the local population. Is any change to that policy being considered?

Dr Fox: As my right hon. Friend knows, we do not discuss rules of engagement specifically, but it is true that the protection of the population was given a higher priority as part of General McChrystal's counter-insurgency strategy. That will continue.

Derek Twigg (Halton) (Lab): Although I am not completely convinced about the reasons for the movements that the Secretary of State described today, in fairness, I do not have the facts and intelligence that he has. I am also concerned about the Prime Minister's statement that we should be out of Afghanistan in five years, which has been repeated. Will that statement encourage or discourage the Taliban in their operations against our forces?

Dr Fox: We intend to follow the strategy through. We believe that it is the correct strategy, and that it is likely to produce success in the time scales outlined. I should reiterate to the hon. Gentleman that General McChrystal initially assessed that the Afghan national security forces would be able to take on the role themselves in 2013. We amended that as part of the strategy, to 2014, because we believe that that is a more realistic target. What the Prime Minister set out is entirely consistent with the strategy. The Afghan national security forces can be expected to take full control of their own security by 2014, as set out in the strategy by General McChrystal.

Patrick Mercer (Newark) (Con): Five years ago to the day, we were attacked not by Afghans, but by Yorkshiremen. They were trained not in Afghanistan, but in Pakistan and the Lake district. The previous Government insisted on telling us that conventional military operations would somehow impede that sort of attack in future, but that is clearly nonsense. Will the Secretary of State come to the Dispatch Box and explain that we are involved in a regional war that stretches right the way from Iran to Russia, that that is as much about fighting for Pakistan's stability as Afghanistan's stability, and that the lives and blood of our servicemen and women are being shed in a crucial cause?

Dr Fox: I am very grateful to my hon. Friend for the points he makes, which will resonate across the House. It is clear—as it always has been, to the credit of the previous Government—that this is not just about Afghanistan, but about Pakistan. Increasingly, on both sides of the Atlantic and throughout the international coalition, it is recognised that we are dealing with a regional problem, and that without success in Pakistan and the full co-operation of the Pakistani authorities in dealing with the Pakistan Taliban and the Afghan Taliban, we would find the mission in Afghanistan much more difficult.

I am happy to reiterate my hon. Friend's points. This is a vital national security mission. We cannot simply wish it away. If I could make one wish, it would be that all countries in the international coalition show the same resolve displayed by our armed forces in burden sharing effectively, with the minimum of caveats, to ensure that we are absolutely able to deliver the maximum effect for the international coalition's mission.

Mr David Winnick (Walsall North) (Lab): I disagree with the broad consensus on Afghanistan, and have done so for some time. Is the Secretary of State aware that the question every Member of the House should ask whenever they sit in the Chamber is this: how many more British soldiers—I pay tribute to their bravery—will die or be seriously injured before the talks begin with the enemy? General Richards, the most senior British general, says that such talks are more or less inevitable. I believe that the war is unwinnable, and that it does not help in the fight against terrorism; other hon. Members say that the war is essential in that.

Dr Fox: There are a number of points to make in response to the hon. Gentleman. I fully accept that he has long held the view that the war was not justified, but we must agree to disagree on that. I believe that it is a vital national security mission for this country. There has never been any doubt that ultimately there must be a political element. The international coalition, the previous Government and this Government have always held the view that we cannot win the wider regional conflict in Afghanistan and Pakistan by military means alone.

There is difficulty in determining who is reconcilable to the Afghan constitution and Government and who is not—that is an ongoing process—but I fundamentally disagree with the hon. Gentleman. The measure of a conflict or war is not the number of those who, sadly, die, but whether we succeed in our mission and strategy. I believe that we should at all times see our armed forces not as victims, but as champions of the freedoms and security that they are trying to bring for our country. I am sure that that is how they would like to be seen: as victors, not victims.

Dr Julian Lewis (New Forest East) (Con): My right hon. Friend is undoubtedly the right man in the right role, and he is loyally defending a strategy even though it might not be the right one. Does he accept that there is a fundamental tension between classic counter-insurgency warfare down among the people, which takes many years to bring to a conclusion, and the statement made by the Foreign Secretary yesterday? He said that

"there will not be British troops in a combat role or in significant numbers in Afghanistan in five years' time"—[*Official Report*, 6 July 2010; Vol. 513, c. 168.]

If we are not to sacrifice our strategic interests in the area, will the Defence Secretary hold himself open to the possibility that a plan B might be necessary if plan A does not work out on schedule?

Dr Fox: The Government believe, in alliance with the United States and the other members of the international coalition, that we have the correct strategy. We believe that the counter-insurgency aim of protecting the population, and of providing them with security so that there is a space for better governance, is the correct strategy.

There is a difference between our national security mission to ensure that Afghanistan can develop in a way that enables the Afghan forces to look after their own security, and the wider mission of reconstruction and development—that is complementary to, but not the same as, the national security mission—which will have to be undertaken for a very long time, given the social state of Afghanistan.

Mr Jeffrey M. Donaldson (Lagan Valley) (DUP): I support the Secretary of State's response to the hon. Member for Walsall North (Mr Winnick). On the question of dialogue with the Taliban, we need to be clear that it would be entirely unacceptable for us to discuss the future of Afghanistan with them at the same time as they are killing our soldiers in that country. Should not we draw on the lessons from Northern Ireland and other theatres of conflict? We should require a clear and unequivocal ceasefire by the Taliban and some degree of commitment to non-violent principles before there can be any question of dialogue with them.

Dr Fox: Although in principle I do not disagree with the right hon. Gentleman, we must be clear what we are dealing with. The Taliban covers a broad range of different groupings—there is no single Taliban commander or a Taliban army with a Taliban uniform—and it is advantageous to find the groups among them who are reconcilable to the process, and to bring them on board to create a critical mass of support. That can only help us in our wider counter-insurgency aims. We should also reflect on the terms we use—not just "the Taliban", but "the insurgency"—and ask whether there are a number of discrete insurgencies rather than just one, just as there are a number of discrete groups that we tend to call "the Taliban." If the House accepts that we are dealing with greater complexity than is sometimes described, we might find it easier to understand the complexity of some of the solutions that we and the Afghan Government must find.

Bob Russell (Colchester) (LD): The Afghan national army is now larger than the British Army. The Secretary of State referred to the international coalition of 46 countries in Afghanistan. I pay tribute to Denmark and Estonia, but the simple fact is that none of our major European allies have had troops on the ground in Helmand province. Bearing in mind that soldiers from 16 Air Assault Brigade will this September make their third deployment to Helmand, will he confirm that the new surveillance equipment will include additional unmanned aerial vehicles, because they must be a great way of identifying insurgents and those planting improvised explosive devices?

Dr Fox: My hon. Friend is correct. We have to make available the full range of ways in which we can deal with IEDs, including UAVs. The subject of our NATO allies has been raised by previous Defence Secretaries, and I raised it at the NATO ministerial meeting, where there was what I would have called when I was in the Foreign Office a full and frank exchange of views on burden sharing in NATO. I would flag up just one issue, however. As we move into the transition phase in Afghanistan, with districts being handed over to the Afghan Government, it would be very unwise for the alliance to believe that that was an excuse for it to leave Afghanistan, or for any members of the alliance to do so and thereby leave only a small number of countries in the most difficult areas. During the transition period, it is essential that we look to have a NATO strategy that ensures that burden-sharing continues to the end of the mission, and that there is not an easy bail-out for those who just happen to have been in some of the quieter areas.

Jeremy Corbyn (Islington North) (Lab): This October will be the ninth anniversary of the deployment of British troops into Afghanistan, 300 of whom have died. Thousands of Afghan people have also died, and the war has spread over into Pakistan and is in danger of spreading into other countries as well. What on earth would the Secretary of State say constitutes victory in Afghanistan, before the withdrawal inevitably takes place?

Dr Fox: "Victory" is a word I do not use; I talk instead about success in Afghanistan. On the national security mission we have set ourselves, I would describe success as a stable enough Afghanistan that is able to manage its own internal and external security without the need for external intervention. There is of course the Pakistani problem to be dealt with as well, which will require us to give considerable help in a number of different areas to the Government of Pakistan. There is not going to be a moment when we can hoist up a flag say, "This is a victory." There will be ways in which we measure success in terms of national security, but the regional problems are likely to continue for some time, and if we are serious about the national security of the United Kingdom we cannot simply turn a blind eye and wish them away.

Mr Edward Leigh (Gainsborough) (Con): Does the Secretary of State agree, however, that we went into Afghanistan on the wrong premise? We were told we were going there to protect Londoners going to work. We now know that al-Qaeda has moved most of its operations to Pakistan, and that most of the Taliban whom we kill die within 20 miles of where they were born, so why are we there? Is it to hold territory, which nobody has ever succeeded in doing in Afghanistan—not even the Soviets with 240,000 people? If it is to fight a dirty war and keep heads down, why do we not place more reliance on special forces, rather than let the British Army carry on bleeding to death?

Dr Fox: My hon. Friend knows that we never comment whatsoever on special forces and what they do, but we are in Afghanistan to give the Afghan Government space to develop the skills in governance and security, so that when we do leave we do not leave behind an ungoverned space into which, as a security vacuum, elements of transnational terrorism are once again drawn.

[Dr Fox]

I sometimes wonder whether the general public remember the chronology correctly. I was in the United States last week, where a woman said to me, "If we hadn't been in Afghanistan, we would never have had 9/11." We need to remember that we did not seek this confrontation; it was brought to our streets and cities against our will. We did not seek this conflict, but we will see it through to its conclusion.

Ann Clwyd (Cynon Valley) (Lab): This morning some of us met Staffan de Mistura, the United Nations special representative in Afghanistan, who pointed out the importance of the mission to women in Afghanistan. They have returned to the professions and to the schools, and that should not be underestimated. Perhaps there are never enough women in the Ministry of Defence, because this point is never made in the Chamber.

Dr Fox: As I said, we are providing the security environment in which the Afghan Government can, over time, develop not only their own security structures but better governance, and part of that better governance has to be a full understanding of human rights, and that human rights apply irrespective of race or creed or gender.

David Tredinnick (Bosworth) (Con): Many years ago during the Gulf war, I accused the BBC of being the Baghdad broadcasting corporation. I am very concerned that there is now a similar situation with the Taliban, in that they are getting far too high a profile. The news this morning is that, apparently, it is a defeat that we are moving troops around in Sangin. Does my right hon. Friend agree that the media must be very responsible when reporting propaganda from our enemies, and that they need to take a close look at this?

Dr Fox: I think it is good counsel for the BBC and the media generally, and for Members of the House, that we use reasonable language and are balanced in our views when discussing this issue. We have a large number of serving men and women in Afghanistan, and they will listen to what we say and to what the media say. That is also true of those who are our enemies in that part of the world. Clarity and honesty would be two very useful tools. I also think, however, that we need to use information. For that reason, I have asked a group of our national newspaper editors to come to the MOD in the near future for a detailed briefing, simply in order that they can understand the facts on the ground and get them first hand from the military, so that there is no excuse for misreporting the facts in future.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): Can the Secretary of State update us on the progress that has been made in recruiting to the Afghan national police force, which is just as important as the army?

Dr Fox: Good progress has been made on the number of Afghan national police, but to be frank with the hon. Lady, that is not really my concern. My concern is the quality of the recruits to the Afghan national police, and what we need to do is not to have them recruited and then trained, but trained and then put in place. That is a vital mission for the whole of the international coalition. The issue was widely discussed at the NATO ministerial meeting at a number of different levels, and I think there is growing acceptance that providing policing and law and order, not at a Supreme Court level but in terms of dispute resolution and effective policing at the very lowest level, is one of the ways to deny the political and social space that the Taliban will otherwise occupy.

Caroline Dinenage (Gosport) (Con): From the British perspective, progress in Afghanistan is often measured through the lens of Helmand. Is that a fair reflection of the security situation across the whole country?

Dr Fox: All countries tend to see Afghanistan in different ways depending on the focus of their national media. There are countries that see Kandahar as being Afghanistan, and there are countries that see Kabul as being Afghanistan. We tend to see Helmand as being Afghanistan. It is useful if people understand that across the country as a whole, a lot of progress has been made on security. Those Members who have been travelling to Afghanistan over a period of time will have noticed that, for example, in Kabul there is a great difference in the security arrangements and how easy it is to move around the city. Clearly, that has not yet spread to enough parts of the country, but we are getting close to transition. While it is understandable that we and our media focus on our casualties and the fatalities that we, very sadly, have taken, we also need to show the other side of the ledger to the public—the successes being achieved in Afghanistan. That is vital if we are to maintain public support, which is a very important part of our resilience in a democracy.

Mr David Hanson (Delyn) (Lab): Unusually, I find myself in agreement with the hon. Member for New Forest East (Dr Lewis) on these matters. Can the Secretary of State tell the House how many of our 46 coalition partners have set a date for the end of combat operations, and if he were a Taliban commander in Helmand, would he be more encouraged or less encouraged to continue his insurgency knowing that such a date had been set?

Dr Fox: I think the best way to deal with the elements of the Taliban is to show our commitment to the strategy itself—to show that we are willing to put the forces on the ground and that we are in full support of the strategy as set out by General McChrystal and now being carried forward by General Petraeus. I hope the increase in US troop numbers and some of the movements I have set out today will leave our enemies in Afghanistan in no doubt as to our seriousness about taking and holding territory and improving security on behalf of the Afghan Government.

Mr Oliver Heald (North East Hertfordshire) (Con): I welcome my right hon. Friend's statement. Does he agree that the challenge in Afghanistan is to turn military success into "hearts and minds" success on the ground, so that the public there see some advantage from our military success? In doing that, we will achieve two things: we will make it less likely that it will be a training ground for terrorists, and more likely that we will get a political settlement.

Dr Fox: My hon. Friend is absolutely correct. As I said earlier, it is not possible to separate entirely the military elements from the wider political elements. Indeed, the whole point of the counter-insurgency strategy is people-centric: it is there to give greater security to the people of Afghanistan and to give them greater confidence in the ability of their Government to provide that security later. When we are making some of these arguments, we must also remember that as we win what he describes as the "hearts and minds" battle in the counter-insurgency strategy, that also provides us with better intelligence. The greater the proportion of the Afghan population who feel secure, the more likely we are to get information that will tell us who is planting IEDs and where. That is what ultimately happened in Iraq, and that counter-insurgency strategy and those same themes will apply in Afghanistan.

Jim Shannon (Strangford) (DUP): I thank the Secretary of State for his statement. One of my concerns, which has been voiced by other Members, is about media speculation. Some of the papers referred to retreat today, but there is no retreat: the fact is that some soldiers' tour of duty is coming to an end. Will he state clearly to everyone, including those in the media who perhaps do not have the ears to listen but who need to listen, that what is being done is tactical and is not being done for any other reason? Earlier, the hon. Member for East Kilbride, Strathaven and Lesmahagow (Mr McCann) spoke about his constituent who had lost two legs and an arm, and about his great courage. One could not fail to be touched by his comments. On behalf of the soldiers who have returned injured and the 99 who have died, we need a commitment from the media to support the troops in the way that we clearly have.

Dr Fox: What I have announced today makes complete military and strategic sense. It is what commanders in ISAF wanted to happen to make full use of the forces that we have. Our forces in Sangin have done a wonderful job, as will the US Marines after them. When our forces leave Sangin and move into central Helmand, they will do so with their heads held high, rightly proud of their achievements. Any attempt by anyone to describe that as a retreat is quite contemptible.

Mr Ben Wallace (Wyre and Preston North) (Con): I pay tribute to my old regiment, the 1st Battalion Scots Guards, who are currently serving in Helmand province and who will be not only delighted but encouraged by the fact that the redeployment will bring better focus. Working closely with the United States makes them remember that they are not alone. Is it only the US that is going into Sangin, or will other international partners be joining in that redeployment?

Dr Fox: It will be the United States that goes into Sangin, but to enable US forces to be fully deployable to Sangin, other nations will be taking up some of the territory currently occupied by the US. I hope my hon. Friend understands that, although I am aware of which forces they are, I have been asked by ISAF commanding forces not to say who they are yet.

Hugh Bayley (York Central) (Lab): I am reassured to hear the Secretary of State repeating the Government's support for the comprehensive approach. We will not find security in Afghanistan and be able to leave until the Government of Afghanistan, nationally, regionally and locally, are respected and trusted by the Afghan people; it is they who have to win the hearts and minds of the people. What is the governor of Helmand province doing to reach out to all sections of the non-insurgent population and their political leaders to incorporate them in government? What is being done to start talks with those sections within the insurgency who can be talked into laying down their arms and joining constitutional government?

Dr Fox: I have met the governor in Helmand on several occasions, and he is one of the most impressive and bravest politicians in Afghanistan. Despite a number of attempts having been made on his life, he continues to get out among the population. A good example of the projects he has been spearheading includes the distribution of wheat seed and fertiliser, which I personally saw him being involved with.

The hon. Gentleman is correct that it is not only the governance of Kabul that will matter, but the governance at ground level. As I said to the hon. Member for Birmingham, Edgbaston (Ms Stuart) earlier, simple issues such as dispute resolution at the very lowest level will be required if we are to deny the Taliban the space they will otherwise occupy. We need to be very clear that if we are not there, they will be, and we have to make some of those small details available. When I spoke to a farmer—I think I have mentioned this in the House before—he said, "When I sold poppy, I was given a farm price by the Taliban and I sold it at the farm gates. When I take wheat to market, I have to go through several checkpoints and it costs me money every time I go through a checkpoint." It is the small things on the ground that we sometimes have to focus on and get right if we are to have wider success in the big strategic picture.

Jack Lopresti (Filton and Bradley Stoke) (Con): May I ask the Secretary of State how splitting Regional Command South assists with the ISAF mission in Afghanistan?

Dr Fox: This was simply a common-sense approach to have greater clarity in our command structures given the increased size of the force, and it has shown just how well the coalition is now working together. I remember criticisms being made in the House in the early part of the deployment in Afghanistan that there were too many command structures, and that no one was talking to anyone else. Anyone who has spoken to General Parker or General Carter recently will have discovered that we have very clear lines of communication and command. That has been a major improvement over the years in what is happening in Afghanistan.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): I thank the right hon. Gentleman for giving this update on what is going on in Afghanistan. I am a little encouraged by what he says will be the likely situation in 2015, but can he assure the House that every possible diplomatic avenue will now be pursued with the greatest possible vigour, so that we can come out of there as soon as possible?

Dr Fox: It is very important that our concentration, diplomatically, is on getting all the parts of the international coalition to do everything they can to support the success of the mission. It is also important, as I said earlier, that as we move to transition, we do not have a coalition in which some members think it is permissible for them to leave without making any further contribution. There will be a very important diplomatic effort in the months ahead to hold the international coalition together, so that we see through this strategy to a successful conclusion.

Mr James Gray (North Wiltshire) (Con): I very much welcome today's statement and the focus on central Helmand that it implies. If I have understood the Secretary of State correctly, the deployment of the theatre reserve battalion will effectively mean an increase in our forces on the ground in Afghanistan of about 10%, which will be of concern to some people. Will he confirm that that deployment will simply be until the Americans take over in Sangin, when the battalion will be withdrawn, so that effectively, the number of our troops will remain the same as the current number?

Dr Fox: It is likely that the uplift in the UK numbers from the reserve will be about 300, or possibly a little less, and they will remain there until October. That is when we intend to withdraw them.

John Woodcock (Barrow and Furness) (Lab/Co-op): May I press the Secretary of State further on the ongoing combat role of our troops? He will keep his options open, will he not? If in three, four or five years' time there continues to be a need for a significant number of British troops in a combat role, he will be prepared to keep them there, will he not?

Dr Fox: I do not intend to give any comfort to the Taliban by talking about what might happen if we are not successful. We intend to see this mission through, to do what is required to put in the numbers needed to make the mission a success, to ensure that the equipment is there and to play our full part in the international coalition. We intend that the strategy as set out by General McChrystal will be met within the time scale he set out.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): I join the rest of the House in paying tribute to the courage and commitment of our forces, the burden of which is reinforced by this redeployment, which shows what they have undertaken on their own so far. Will the Secretary of State outline what effect the new military reconfiguration will have on the provincial reconstruction team and on engagement with civilian communities in those areas?

Dr Fox: The provincial reconstruction team will continue as it is. I am very grateful to my hon. Friend for giving me this opportunity, which I should perhaps have taken earlier, to praise the work of the PRT. Its success will be central to the long-term stability of, and thereby the governance support for, the security situation. It is a leading example of what is possible and is internationally admired.

Sajid Javid (Bromsgrove) (Con): I welcome the statement from my right hon. Friend. What efforts are being made to encourage the Pakistan armed forces to take greater responsibility for Taliban activity south of the border with Helmand?

Dr Fox: Every effort is made, including substantial talks undertaken by the Foreign Secretary in Pakistan recently. All contacts at a political, diplomatic and military level are used constantly to emphasise to the Government of Pakistan the importance of their role in dealing with this wider security issue. As has been mentioned already, this is not simply a problem that relates to Afghanistan within its own borders. There is a regional element and unless we have the full co-operation of Pakistan and success in Pakistan, any success we might achieve in security in Afghanistan would naturally be undermined. We take every opportunity to tell the Government of Pakistan that we stand ready to help them in their important contribution to this mission.

Mr John Baron (Basildon and Billericay) (Con): My right hon. Friend will be fully aware that for there to be any sort of success in Afghanistan, we need to win the propaganda war, yet the latest report to Congress from the US Department of Defence clearly highlights that we are not succeeding on this front. What more can we do to turn this around? Success in a counter-insurgency war can soon become a pyrrhic victory if we do not carry the people with us.

Dr Fox: One of the elements of asymmetry so often talked about is the fact that, whereas we, in a democracy, must take our people with us, the Taliban do not have the problem of having to influence democratic opinion. It is vital, as my hon. Friend says, that we should do so. It is incumbent on us in this House, on the Government as a whole, on the media and on our armed forces to show the British public that there are two sides to the ledger. Yes, we have fatalities and casualties, but there is also success. We are beginning to see greater stability across much of Afghanistan. As my hon. Friend the Member for Gosport (Caroline Dinenage) said earlier, if we stopped viewing things entirely through the prism of Helmand and started to view them across the country as a whole, perhaps the electorate in this country would get a better and more accurate picture.

Dan Byles (North Warwickshire) (Con): Does my right hon. Friend agree that, given that the Taliban continue to draw their funding from the illegal drugs trade, we must tackle them successfully on all fronts—not only militarily, politically and diplomatically, but economically too—by getting to grips with the illegal drugs trade and cutting off their funding at source?

Dr Fox: I agree with my hon. Friend that dealing with the drugs trade has to be part of the long-term way in which we improve stability, security and governance in Afghanistan. If we are to do that, we must find alternative incomes for some of the poorest people on the planet. Until we can provide alternative incomes for those who are basically subsistence farmers, in many ways, we are unlikely to win hearts and minds—or, indeed, the economic case that my hon. Friend so correctly points out.

Points of Order

1.23 pm

Vernon Coaker (Gedling) (Lab): On a point of order, Mr Speaker. Are you aware that the BBC is reporting that the Education Secretary is to apologise for the inaccuracies in the information given to this House on Monday about cuts to the school building programme? Are you aware of such an apology and has the Secretary of State made any representations to you about making it to the House? I ask this because the BBC reports that the apology is to be in the form of a letter to you, Mr Speaker. Surely any such apology should be made in this Chamber. Chaos on Monday has turned into farce on Wednesday.

Mr Speaker: I am grateful to the hon. Gentleman and for a few minutes' advance notice of that point of order. In response to his first point about whether I am aware of the BBC news report, the answer is an unequivocal yes, for the simple reason that he apprised me of his point of order. The second point that I would make is that I have had no communication from the Secretary of State on this matter, so I am reading the report in the way that anybody else might read it. It is of course always open to Ministers to come to the House to make statements, including to make apologies if they deem it appropriate. I have a sense already that it would be regarded by Members as more helpful in these circumstances and perhaps more apposite if the relevant Minister were to seek to come to the House to make a statement. I should emphasise that we have an important Opposition day debate to follow, and that such a statement, if it were to be made today, would have to be made after the Opposition day debate.

As for revealing matters to the media before revealing them to the House, including revealing an intention to say something at a later stage, my ruling stands. If people have things to say, they should come to the House to say them. The House expects to hear before anybody else does. I hope that that is a satisfactory response.

Dr Julian Lewis (New Forest East) (Con) *rose—*

Mr Speaker: The hon. Member for New Forest East (Dr Lewis) looks as though he is overflowing with enthusiasm. I am quite concerned about him and I think we had better hear what he has to say.

Dr Lewis: Thank you very much, Mr Speaker, for your customary indulgence. Further to that point of order, is it in order for me to inquire whether the shadow Minister who raised that point of order informed the Minister concerned that he was going to mention him from the Dispatch Box on this occasion?

Mr Speaker: The hon. Gentleman may ask that. I do not know the answer, but there is no breach of order if a Member comes to raise a point of order about someone else without notifying that person first. The hon. Gentleman is a very courteous man—I will have known him for 27 years in October of this year—and he might well expect that as a matter of courtesy there would be advance notification, but there is no obligation to notify. He has put his views on the record and contributed enthusiastically to our exchanges.

Mr Tom Watson (West Bromwich East) (Lab): Further to that point of order, Mr Speaker. As you know, a number of schools in my constituency have been affected by this misleading information. I tried to phone the Secretary of State yesterday, but he was not courteous enough to return my call. I heard Mr Andrew Neil announce that the Secretary of State was going to apologise for this matter and I assumed that he would do so to the House. Do we have any remedy to try to ascertain what the Secretary of State is doing? I have already cancelled a meeting to come here and it would be unfair and discourteous if he made Members cancel any other meetings.

Mr Speaker: There are a couple of points to make in response to the hon. Gentleman. The first is that the Secretary of State is an extremely busy person and it is not for me to comment on the nature or frequency of telephone conversations that he has. I can say only for myself that if the hon. Gentleman were to telephone me, I would always be delighted to hear from him and would regard it as a matter of some priority to have a telephone conversation with him. Secondly, I think that I have made the overall position very clear and people on the Treasury Bench will have heard it. What I am saying, in short, is that if the Secretary of State has something to say to Members, he should say it here. If he has something to say to me, he could usefully say it here and it would be a jolly good thing if he came to the House to make a statement at a suitable time—that is, at or shortly after 7 o'clock.

Kevin Brennan (Cardiff West) (Lab): On a point of order, Mr Speaker. During his statement on Monday, in column 35 of *Hansard*, in answer to my hon. Friend the Member for Kilmarnock and Loudoun (Cathy Jamieson), the Deputy Prime Minister indicated that the reason why he had not consulted the devolved Administrations about the parts of his constitutional proposals that affect the devolved Administrations of the United Kingdom was that it was necessary for him to announce them to this House first. That was repeated today by the Prime Minister at Prime Minister's Question Time. Will you confirm, Mr Speaker, that it is perfectly in order—on a Government-to-Government basis through the UK civil service, which exists for that purpose—for the Prime Minister or Deputy Prime Minister to discuss proposals affecting the devolved Administrations with Ministers on a ministerial basis prior to making an announcement to this House? In fact, in the case of Northern Ireland, if they did not do that, one could not imagine the consequences.

Mr Speaker: I am very sorry to disappoint the hon. Gentleman, but although I listened with interest to his point of order the truth of the matter—he might think it a sad truth—is that it is not a matter for the Chair.

Chris Bryant (Rhondda) (Lab) *rose—*

Mr Speaker: The day would not be complete without a point of order from the hon. Gentleman.

Chris Bryant: On a point of order, Mr Speaker. I am sure that you will be aware that the House of Commons Disqualification Act 1975 stipulates that only 95 Ministers, including Whips, may sit and vote in the House of Commons at any time. In addition, "Erskine May" recognises only two kinds of Whips: Government Whips and Opposition Whips. Until yesterday morning, only 95 Members were Ministers, but three additional Lib Dems were appointed as Whips yesterday. That takes us to the number of 98. The Act makes it very clear that those additional three people cannot sit or vote in the House of Commons—unless they are not Government Whips, but Opposition Whips.

Mr Speaker: As always, I am engaged, not to say fascinated, by the product of the hon. Gentleman's lucubrations. I will look into the matter, but I am sure that the House will eagerly await, with bated breath and beads of sweat on its collective brow, any thoughts that I may have thereafter. The appetite for points of order has now been satisfied.

Opposition Day

[3RD ALLOTTED DAY]

Jobs and the Unemployed

Mr Speaker: I inform the House that I have selected the amendment in the name of the Prime Minister.

1.31 pm

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): I beg to move,

That this House notes with grave concern that the emergency budget will increase unemployment; calls on the Government to publish the HM Treasury analysis of jobs that will be lost in the public and private sector; condemns the Government's decision to axe the Future Jobs Fund, the Youth Guarantee and the Jobseeker's Guarantee, scrapping hundreds of thousands of jobs and training places for the unemployed; further notes that the Government is cutting employment support to help people into jobs at a time when growth is still fragile; regrets that the role of the voluntary sector in helping people into work is at risk; further notes that the current claimant count is half the level it was in the 1980s and 1990s as a result of the support and investment the previous Government provided for jobs and getting people back to work; further notes the cost to communities and the economy of long-term unemployment; and condemns the Government's decision to abolish regional development agencies with potentially damaging consequences for regional economies at a time when the recovery is not yet assured.

Mr Speaker, you said in response to the points of order that Secretaries of State are busy, but that it is very important that Ministers are accountable to the House. At 11.45 this morning, I took a call from the Secretary of State for Work and Pensions, who is not in the House today. He rang to tell me that he would not be here today and that he would not answer the debate because he is speaking to civil servants. Instead of giving a speech to Parliament, he has gone to speak to a London conference for civil servants. He has decided that he cannot rearrange making that speech, despite the fact that he is speaking at a three-day conference organised by the same civil servants who work for and answer to Ministers and advise them on the importance of answering to the House. So the Secretary of State for Work and Pensions has chosen to turn his back on Parliament and the debate. A debate in Parliament on support for jobs and the unemployed is clearly not important enough for him.

The Minister of State, Department for Work and Pensions (Chris Grayling): Will the right hon. Lady confirm to the House that, during no fewer than three of the last six Opposition day debates held under the previous Government earlier this year, the Secretary of State in the previous Labour Government failed to appear in the House?

Yvette Cooper: The right hon. Gentleman will know that, on many occasions, the then Opposition did not put up their shadow Cabinet Minister to open the debates. He will also know that Members have given reasons for not attending. I was ready to take the call from the Secretary of State, had he told me that he had a family emergency, a health problem or a European event to attend. The Minister has an engagement in Brussels, and I understand that he will therefore not be here for the close of the debate. I completely understand

that; of course, he must fulfil his international responsibilities. Of course, we recognise such responsibilities, but to choose to attend a three-day conference for the very hour at which the Secretary of State should be present in the House to discuss support for jobs and the unemployed is a dereliction of his duty not only to the House, but to the unemployed he should be trying to help.

We think that this is an important subject. That is why we have chosen it for our third Opposition day debate. This month, many young people will leave school, college or university, and they are looking for their first jobs. It is not an easy time to look for work. We have just come through the worst global recession for many generations, and across Britain as in many other countries, many people have been hit by job losses and unemployment as a result.

Next week, the June unemployment figures will be published. The House will know that the International Labour Organisation unemployment figure currently stands at 2.47 million, more than 500,000 less than many experts predicted when the recession and financial crisis started and more than 500,000 less, too, than in the 1980s and 1990s recessions. The claimant count is 4.6%—less than half the 10% that it reached in the '80s and '90s recessions and almost 750,000 less than expected in last year's Budget, thus saving us £15 billion over the next few years.

Of course, those figures are too high, families are still struggling and we need to bring down unemployment, but it is worth understanding why unemployment has been kept lower during this recession, because it reflects the work that businesses and employees have done to protect jobs. People have been working fewer hours, often cushioned by tax credits—a cushion that Government Members now want to take away. To help to save jobs, businesses have cut other costs. The fact that unemployment has been kept lower reflects the extra support for the economy—the VAT cut, the public sector construction contracts, the car scrappage scheme and the maintenance of public spending and public sector jobs through the recession—all opposed by the Conservative and Liberal Democrat parties. It reflects, too, the extra help to get people back to work faster than in previous recessions—the youth guarantee, the extra education training places, the stronger jobseekers' regime run by Jobcentre Plus—all support that the new Government now want to take away.

I pay tribute to the work that Jobcentre Plus did during the recession to help as many people as possible to get back to work much faster than in previous recessions, but this is a dangerous time. Too many people, especially young people, are still struggling to find work. If we look at the lessons from history, we see that this is the time when the labour market is at its most fragile. This is the time, just as the economy is coming out of recession, when there is most risk of people getting stuck in long-term unemployment. If we look at what happened in the 1990s, we see that it was a long time before unemployment started to come down after the recession finished. Youth unemployment rose for 18 months after the recession finished. If we look at what happened in the 1980s, we see that unemployment rose for years after the recession finished. Youth unemployment rose for four years after the recession finished.

Helen Jones (Warrington North) (Lab): On youth unemployment, has my right hon. Friend noticed the total absence of Liberal Democrat Members from this debate? Does she believe that they are unwilling to come to the House to defend their complicity in scrapping the future jobs fund?

Yvette Cooper: My hon. Friend makes an important point. In fact, the welfare spokesperson for the Liberal Democrats said that his party had no plans to cut the future jobs fund and, indeed, that it supported help to get young people into work. He is not here either, despite the fact that he is a Minister in the Department that is responding to the debate.

In the '80s and '90s, the then Conservative Government turned their back on the unemployed, particularly the young unemployed, and unemployment rose for years as a result. But unemployment scars. Unemployment causes people problems for years to come. If people lose their jobs and cannot get back to work quickly, they can find it much harder to get back into jobs, even when the economy is growing again. That is what happened in the 1980s. It took a long time to get new job growth in many communities across the country, and by the time that we did, many people had been scarred for life and some have never worked again.

Toby Perkins (Chesterfield) (Lab): Does my right hon. Friend share my fear that the problem basically is that the Conservative party believes that the only reason people are unemployed is that benefits are too generous, that we do not need job creation projects and that all they need do is to cut benefits and, somehow, unemployment will magic itself away?

Yvette Cooper: The troubling approach that the new Tory-Liberal Government are taking is to cut the help to get people back into jobs and to cut their benefits when they cannot get back into work. The Secretary of State has claimed to be concerned about intergenerational poverty and worklessness, but the truth is that many of the problems that the Government worry about have their roots in the unemployment and hopelessness of communities without work in the 1980s. If they are really serious about tackling long-term poverty, they should act to prevent long-term unemployment now. They talk about broken Britain, but the truth is that their party broke Britain in the 1980s and now they are trying to do the same thing again. Let us look at their actions in the first four weeks: cuts of £1.2 billion in support that was getting people back to work; cuts in the future jobs fund; cuts in the youth guarantee and in help for the long-term unemployed just when they need it most; and a Budget that cuts the number of jobs in the economy so that there are fewer jobs than there would have been, not just next year but in every year for the rest of the Parliament too.

Mr Oliver Heald (North East Hertfordshire) (Con): Many of the previous Government's measures helped some people into work, but the 3 million workless households where no adults of working age were working were barely touched in the Labour years. It is all very well to talk about the 1980s, but what was happening between 1997 and the last election? Precious little. Many of those people never saw anybody from Jobcentre Plus or anyone else. They were just left to stew.

Yvette Cooper: I can tell the hon. Gentleman what happened after 1997. In fact, there was a reduction of 350,000 in the number of people claiming inactive benefits, as a result of the extra support that was put in. That was in strong contrast to the early '90s recession when we saw an increase of more than 450,000 in the number of people on incapacity benefits. In this recession, we have had a reduction of more than 70,000 in the number of people claiming those long-term sickness benefits, despite the difficulties in the world economy.

Miss Anne Begg (Aberdeen South) (Lab): One reason why young people find it so difficult to get into work is that they do not have experience, and the future jobs fund and the youth guarantee were very good for young people because they gave them that experience and made them much more employable. Has my right hon. Friend done any analysis of the effect on these young people of the scrapping of both those schemes?

Yvette Cooper: My hon. Friend is right. She obviously brings great experience to the field, having been a member of the Select Committee on Work and Pensions for many years. She is now its Chair, and I look forward to hearing more of her views on this in the House. We have been talking to many young people about the impact of cutting the future jobs fund. Yesterday afternoon, I met 10 young people who have just started work thanks to the future jobs fund. They are all working for charities and social enterprises, have jobs in fundraising, in office work, in organising charity events and in repairs and maintenance, and some had fantastic jobs in creative design. Several are graduates who had struggled to find work because of the recession. Many had tried unpaid internships and voluntary work—anything to get a foot in the door. It was only the future jobs fund that had made the real difference to them. One of them said to me, "It's a life saver." Another said, "It's given me confidence. It's a proper job. It's a huge boost to put this on my CV." A young woman I spoke to in my constituency who was training to be a car mechanic, thanks to the future jobs fund, told me, "I tried and tried to get something, and this is just like the light at the end of the tunnel. In fact, it's the only opportunity I've been given. I don't understand why they want to cut it."

Kevin Brennan (Cardiff West) (Lab): On that point, my right hon. Friend might be interested to know that a constituent recently came to see me at my surgery who had been offered through the future jobs fund an opportunity to work by the Royal National Institute of Blind People, and on arrival at Jobcentre Plus was bitterly disappointed to be told that the list was closed because of the Government's decision to cut the future jobs fund, and now faces the prospect of not having an opportunity that would otherwise have been available. Is it not ironic that with all the talk of a big society, jobs that would have been available to people in the third sector are now being cut by the Government?

Yvette Cooper: My hon. Friend is right. This is happening now to young people throughout the country. One of the young women I talked to yesterday also told me about a job with the London Wildlife Trust. It had asked her if she would be interested in working for it through the future jobs fund, and when she contacted them to say yes, it said, "Sorry, too late. The programme is closed."

Ministers try to claim that there are no cuts in these jobs. The Secretary of State said:

"we are not cutting any jobs at all. We are saying that we will stop the part of the programme relating to jobs that were not contracted for."—[*Official Report*, 14 June 2010; Vol. 511, c. 584.]

According to the Secretary of State, if the contract has not been signed, it has not really been cut. He says that these were only notional jobs. The trouble is that he has not cut notional money. He has cut real money—£290 million this year, and hundreds of millions of pounds in future years. That money would have funded 90,000 future jobs fund jobs for 90,000 people—real people who will struggle longer on the dole as a result.

Chris Grayling: Before the election, the previous Administration were planning public spending cuts of £50 billion. Where did the right hon. Lady expect to make those cuts in the Department that she was then heading?

Yvette Cooper: We were clear that the best way to cut welfare spending was to get more people into work. The very fact of getting people into jobs was cutting £15 billion from welfare bills over the next few years. That is substantially more of an impact than the right hon. Gentleman could possibly have by cheese-paring bits from employment programmes that end up putting more people on the dole and pushing up the bills for unemployment. That, in the end, is the right hon. Gentleman's problem.

Gordon Banks (Ochil and South Perthshire) (Lab): Does my right hon. Friend agree that the pressures placed on the private and public sectors in recent weeks will deliver a potential skills shortage in the UK? Without investment in our young people today, we will have a skills shortage tomorrow, which will be detrimental to our growth in future years.

Yvette Cooper: My hon. Friend is right. This is about investing in our future, because this is about the young people who will support us all for very many years to come. If we do not give them the start in life that they need, if we do not give them the work experience that they need to get into jobs, if we leave too many of them stuck on the dole for years, we will pay the bills that result from their being unemployed for years and we will lose their potential skills and talents that could contribute to our economy for many years to come.

Richard Fuller (Bedford) (Con): Is not the biggest burden on the young people about whom the right hon. Lady talks so eloquently the massive debts that her Government left behind? They are already shackled by the previous Government's policies, and that will be a burden on them and their employment opportunities for the future.

Yvette Cooper: If those young people cannot get jobs, if they end up stuck on the dole for years—that is what happened to young people whom I left school with in the 1980s—that will devastate their entire future. They will struggle to get work for many years to come and that will push up the deficit. The hon. Gentleman seems to fail to understand that if unemployment is high, that pushes up the bills for unemployment benefits and cuts

the number of people who are working in good jobs and paying their taxes, not just this year and next, but for many years to come.

Richard Fuller: In my constituency, the unemployment rate doubled under the last Administration. In the last 10 years, unemployment has gone up. We recognise in Bedford and Kempston that we need small businesses to create the jobs that will employ people, not just in five years' time, but in five months' time. The one thing that small businesses in my constituency want is to know that the Government have control over the deficit, that their taxes will be down, and that regulation will be reduced. Surely that is the way in which we can create jobs.

Yvette Cooper: Unfortunately for the hon. Gentleman, if we cut the deficit at the pace and scale that his party wants, that will make it harder for businesses. It will make it harder for small businesses and companies across the economy. His party's own appointed Office for Budget Responsibility confirms that. It says that there will be fewer jobs in the economy, not just next year, but each year for the rest of this Parliament as a result of the Budget. It is hitting businesses and employers throughout the country, making it harder for them to take people on. That is the complete fallacy in the arguments of Conservative Members. They are stuck in the mentality of not just the 1980s, but the 1930s, which says that so long as the deficit is cut, things will suddenly be hunky-dory. It will not. It cuts jobs and makes it harder for people to get back into work, and it pushes up the costs of failure too. That is what is so irresponsible.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): I have a lot of sympathy with the right hon. Lady's argument and she is right to stress the fragility of the economic recovery at the present time and the fact that the Budget proposals will cut jobs, but I am sure that she is aware that the previous Government imposed cuts of £400 million on the devolved Scottish Government in the very teeth of the recession, knowing that it would cost jobs and jeopardise recovery. If her argument holds water now, why did it not hold water then?

Yvette Cooper: In fact, the additional support we put in through things such as the future jobs funds and support for the economy helped Scotland. Indeed, Scotland benefited from thousands of future jobs fund jobs, which were funded by the Government, in addition to the money that went directly to the devolved Administrations. Every part of the Government had to make efficiency savings, and unfortunately the Scottish Administration consistently set themselves efficiency targets considerably lower than those set and met in Whitehall Departments across government. It was fair to expect the Scottish Administration to pay their fair share and to contribute to those efficiency savings.

We believed, however, that it was right to keep supporting jobs in Scotland through things such as the future jobs fund, which is why the Association of Chief Executives of Voluntary Organisations said, in response to the cuts in the future jobs fund:

"We know of many third sector organisations in Yorkshire who were ready to place people into jobs and were mid-way through bidding for FJF money to make that possible when the funding was cut. Among the placements that were to be created were jobs to support women in the community through a Women's Refuge. Now those women won't get the extra support and Yorkshire won't get the extra jobs."

Real jobs in Yorkshire gone—because of the Secretary of State's plan!

Miss Begg: It is third sector providers who often help to get people facing particular barriers into work. It is hard enough for young people to get into work anyway, but if they have barriers such as drug dependency or homelessness, it is particularly difficult. The future jobs fund was being used by organisations such as Aberdeen Foyer in my constituency to get those marginalised youngsters into work and to break that cycle of poverty, which the hon. Member for North East Hertfordshire (Mr Heald), who sits with me on the Work and Pensions Committee, talked about earlier.

Yvette Cooper: My hon. Friend is right, which is why all young people, no matter what the difficulties they face, should have a guarantee of a job, training or support to get into work. She might also be interested to know that significant numbers of the people going into the future jobs fund were disabled, so it was providing additional support for people who might have found it more difficult to get their first job elsewhere in the economy and to get that start and get into work.

The former Chief Secretary to the Treasury, the right hon. Member for Yeovil (Mr Laws), told the House that DWP officials had advised that the future jobs fund was not effective and not working. That is not what young people and voluntary sector providers are telling us. For example, the Scottish Council for Voluntary Organisations said:

"It is obviously very disappointing that the Future Jobs Fund is not continuing as it was a highly successful initiative which was popular with employers and employees".

Angie Wilcox, whom I met, from the Manor residents association in Hartlepool, said that

"in one area alone, manor residents have recruited 118 young people, of which the first 17 finished their six months last month, all 17 secured sustained employment...This is a vital programme that must stay".

So what advice did DWP officials really give to the Treasury? The Employment Minister, the right hon. Member for Epsom and Ewell (Chris Grayling), has so far refused to publish any advice or evidence that it is not effective. That is because, in the end, he does not have any. He has commissioned a detailed evaluation of the future jobs fund for 2011, so there is no evidence to show that the fund is not working and plenty of testimony from young people and employers across the country that it is transforming people's lives. The Government did not talk to a single voluntary sector provider before they axed the fund, and they did not talk to a single young person on the fund before they made their decisions—actually, the Prime Minister did. He talked to young people at a social enterprise in Liverpool, and told them he would keep the fund. He said that

"it is a good scheme, and good schemes we will keep."

Was he setting out to deceive those young people, or does he just not care about the broken promises from the election?

The Employment Minister has, I understand, been back to that same corner of Liverpool to see the same social enterprise. He has told us in previous responses

[Yvette Cooper]

that he has not received any representations about the decision to cut the future jobs fund. Yet someone who was at the meeting said that

"when Chris Grayling visited Everton on the 26 May we raised with him the very negative impact cutting the Future Jobs Fund will have and 2 local people said the difference having a future jobs fund position was already having on their lives, their self esteem and their long term job prospects...We asked him specifically about whether his replacement scheme was going to give at least the minimum wage. He couldn't guarantee that at all...The FJF has already made a big difference to us in Everton... Young people on the FJF have got their heads back up and are going for it."

So what other excuses have the Government given us for cutting the future jobs fund and the support for the unemployed? The Secretary of State claimed on 8 June that the cost of the programme was "running out of control". That is rubbish—it is a fixed-cost programme. It costs just over £6,000 per job and is paid when the job is delivered. Furthermore, the taxpayer saves six months of benefits too. It is a fixed cost, so it cannot escalate out of control.

The difference between us is that we want 90,000 people in jobs. The Government would rather have them on the dole than pay for the extra support that those young people and long-term unemployed need. So, from next year, they are cutting the rest of the guarantee. In total, they are cutting £1.2 billion from support for the unemployed—and they tell us it is all right because there is going to be a Work programme. But where is it? The soonest the Secretary of State will be able to deliver it is next summer, but what about the people in the meantime who need support and help? What about the young people leaving school, college or university this summer who need help? What about the people who have been unemployed for six months and who need support now? Yet now is the time when he is cutting future jobs fund opportunities in favour of a Work programme that cannot be in place for at least another 12 months.

Nadhim Zahawi (Stratford-on-Avon) (Con) *rose—*

Yvette Cooper: I shall give way. Perhaps the hon. Gentleman can provide some clarity on that point.

Nadhim Zahawi: The right hon. Lady talks about the young people coming out of schools and colleges. Did she think about them when she was in government and borrowing £500 million a day? Did she think about their future while the Government were borrowing £100 for every £300 they were spending?

Yvette Cooper: Had we not increased borrowing during the recession, we would have seen recession turn into slump, millions of people on the dole being scarred for life, and huge increases in repossessions. Unless the hon. Gentleman is prepared to support the economy and growth, he will never see the deficit come down. The best way to get the deficit down is to keep the economy growing, and the only way to get us through the recession was to support the economy at a very difficult time. He seems to want to return to the madness of the 1930s when economies across the world were pushed into depression and slump as a result of the kind of narrow-minded, short-term policies that he is now advocating.

Nadhim Zahawi: I have to come back on that point. Your policies have mortgaged and remortgaged the future of those young children, so for you to stand up and say that without borrowing you cannot sustain the recovery is inaccurate. You have to admit that borrowing £500 million a day—not a week or a month—is unsustainable.

Mr Deputy Speaker (Mr Nigel Evans): Order. May I remind Members to use the third person? When Members refer to "you", it means me. I have just been accused of a few things that I do not own up to.

Yvette Cooper: The hon. Member for Stratford-on-Avon (Nadhim Zahawi) should learn a few lessons from economic history. He should look at what happened not just in the 1980s, when there was not the same scale of world recession, but in the 1930s and at the orthodox views being put forward then by Bank of England Governors and senior politicians and the devastating consequences that they had. Keynes was led to write his general theory because of the deeply destructive approach that so many people in senior positions took and the consequences that devastated the lives of millions of people who were pushed into unemployment and poverty. Businesses were destroyed for many years as a result of that approach—the approach that the Conservatives seem to want to go back to.

I agree that borrowing needs to come down, and of course we need to ensure that the deficit comes down in a steady and sensible way as the economy recovers. However, by cutting an extra £40 billion for ideological reasons in a way that will hit jobs and the economy, the Conservatives are turning their back on the unemployed. Ministers need to tell us what they will do to help young people this summer. What are they going to do to reassure parents that their sons and daughters will not be stuck on the dole for more than a year? All that they promise is a Work programme sometime in the future, with incentives for private sector companies to help people find work but no guarantees to young people or anyone else that they will actually get work. There are no jobs for them to go to.

Ministers also want people to move house to help the labour market, but it is not clear where they want them to move to. The Secretary of State has said that he wants the unemployed to move to more affluent areas where there are more jobs. In fact, if they do not and they are out of work for a year, their housing benefit will be cut. At the same time, the Government are telling working people on housing benefit in affluent areas that they have to move to cheaper areas because their rents are too high. If they do not, their housing benefit will be cut, too. The Secretary of State is telling my constituents that if they do not move south to get a job he will cut their benefit, and his own constituents that if they do not move north to get a cheaper home he will cut their benefit too. Presumably they can wave at each other as they pass somewhere along the A1.

The Secretary of State wants people to give up cheaper housing to find work, but he also wants people to give up work to find cheaper housing. He is telling people to get on their bikes, but with no clue about where they are supposed to go. That is the same Secretary of State who said last year that he wanted to maintain community ties. He said:

"It is getting more and more difficult for parents in some poorer backgrounds...that extended family link is often severed by the fact that they can't get living near their parents."

Yet those are the very same community ties that the Government's policies on employment and housing would rip up right now. They are cutting help for people to get jobs and cutting their benefits too.

Steve Rotheram (Liverpool, Walton) (Lab): Does my right hon. Friend agree that the Government's contention appears to be that the future jobs fund is simply training without a job guarantee? Is that not just snobbery, as they do not put forward the same argument—nor should they—that people accessing degrees should have a guaranteed job outcome? Quite simply, is it not true that the Tories have never believed in parity of esteem between vocational and academic training routes and still believe that unemployment is a price worth paying?

Yvette Cooper: My hon. Friend is right. I know that his constituency was hit very badly in the 1980s as a result of the decisions that previous Conservative Governments took, and that that is why he feels so strongly that we should not take those decisions again. We have to do everything possible to help people back into work.

The Guardian has even reported that Ministers want jobcentres to give out charities' food vouchers, so now they are turning the clock back not just to the 1980s but to the 1930s. It is looking less like welfare to work and more like welfare to the workhouse.

Miss Begg: Before my right hon. Friend moves off the subject of housing benefit, I wish to mention that Aberdeen is one of the areas where there are jobs—unemployment in my constituency is 2.6%, which is higher than we would like but relatively low. The problem is that rents are high. A constituent who came to see me on Friday is finding things very difficult, because in the private rented sector she is already subsidising her rent despite being on full housing benefit. It is therefore impossible for people to move into Aberdeen to get a house and a job without falling foul of the Catch-22 situation that my right hon. Friend describes.

Yvette Cooper: My hon. Friend is right, and that is why it is difficult to reform housing benefit without considering the consequences for the labour market. The two things should be examined together, not in isolation in a way that can have destructive consequences.

Esther McVey (Wirral West) (Con): May I confirm that the matter has nothing to do with snobbery but is about the best way to handle the situation? Can the right hon. Lady confirm that at present, the number of 18 to 24-year-olds not in education, employment or training is at its highest, at 837,000?

Yvette Cooper: If the hon. Lady is concerned about young people who are not in education, training or employment, why on earth is she supporting her party's decision to cut the future jobs fund and help for young people to get into jobs? The number of 18 to 24-year-olds who are on the dole is about half the level that it was in previous recessions.

Esther McVey: I think there needs to be clarity of purpose on a way forward; you have left us with a record deficit—[Hon. Members: "She."] Sorry; the right hon. Lady's Government have left us with a record deficit, and new times require new measures. Working together, we will provide clarity and look for greater apprenticeship schemes.

Yvette Cooper *rose—*

Sarah Newton (Truro and Falmouth) (Con): Will the right hon. Lady give way?

Yvette Cooper: I advise the hon. Lady that asking me to give way and answer another question when I have not yet answered the first is probably not the best way to get her question answered.

I ask the hon. Member for Wirral West (Esther McVey) where is this Work programme and this extra support? All that we see so far is £1.2 billion-worth of cuts. There are cuts to the future jobs fund, a programme that is already in place and delivering real opportunities. She should go and talk to the voluntary sector providers in her constituency and constituencies across the country about the great work that they are doing. Social enterprises, charities and organisations in the public and social sectors are doing some great things to give young people a chance, and her party wants to pull the plug on that. That would be madness at a time when young people need our help.

Sarah Newton: I wish to return to the right hon. Lady's point about giving out food vouchers. What is compassionate about a benefits system that is leaving people hungry in their hour of need? Voluntary organisations in my constituency, such as Church organisations providing food banks, are barred from offering vital necessities to people in jobcentres who are literally starving. That is ridiculous when people are going hungry.

Yvette Cooper: I am interested that the hon. Lady is concerned that people are not getting enough support and believes that they should have more help. I wonder why on earth, then, she has voted for a Budget that cuts £11 billion from benefit support for those on the lowest incomes in the country. What she is arguing for are cuts in Government and taxpayer support, and for people simply to depend on charities instead. That would be a return to the Victorian approach of the workhouse and the pre-Beveridge, pre-welfare state approach of not supporting families across the country, which would be deeply unfair. There may not be the type of charity that she happens to have in her constituency in every constituency and working with every jobcentre in the country. We in the Labour party believe that we should support people, which is why we have not proposed cutting benefits by uprating them only by the level of the consumer prices index, which will take £5.8 billion out of the value of benefits for some of the lowest-income people in this country.

Chris Grayling: Can the right hon. Lady confirm to the House that before the election, she did not at any stage give serious consideration to increasing benefits in line with CPI? Can she make it clear once and for all—did she consider that or did she not?

Yvette Cooper: I can say very clearly to the right hon. Gentleman that my view was always that it would be unacceptable to increase benefits in line with CPI. I wish to make that very clear, and I am sure that papers will testify to that effect. It will be unfair on people such as those who are severely disabled or on the lowest incomes, who will see the real value of their support cut by hundreds of pounds over the next few years. For the Minister to try to defend the Budget as "progressive" when it will hit people who are severely disabled and cannot work, people who are on carer's allowance and some of the most vulnerable people in the country who may be struggling to support their families, is a distortion of the meaning of the word.

Welfare to work does not work anywhere in the country if there is no work for people to go to. That is the real tragedy of this new Government. At a time when growth is fragile and too many people are out of work, they have introduced a Budget that cuts growth and jobs. It is shocking.

Even on the assumptions of the Government's own appointees in the Office for Budget Responsibility, this emergency Budget means that there will be more than 100,000 fewer jobs in the economy, and not just this year. There will be fewer jobs every year for the lifetime of the Parliament as a result of the Budget. The Budget cuts consumption, through the VAT hike and benefit cuts; it cuts Government spending; and it hits private and public sector jobs. The Budget will also push up the bills of unemployment. Even on the optimistic assumptions of the Office for Budget Responsibility, the taxpayer will fork out around £2 billion on unemployment over the course of this Parliament as a result of the Budget. That is £2 billion that we could have spent on the future jobs funds, school buildings or other support to help people into work.

Naomi Long (Belfast East) (Alliance): Does the right hon. Lady agree that that is merely the thin end of the wedge? Many of the young people who find themselves unemployed and many of the communities where unemployment is ingrained are also more reliant on other benefits and public services such as health. The mental health and well-being implications for those communities are enormous, but they have not been factored into those calculations.

Yvette Cooper: The hon. Lady is right. We are having this discussion in the light of the Budget measures and the initial cuts in support for jobs, but we know that there are spending cuts to come as part of the spending review, to which the Government have added £17 billion to the amount to be cut from Departments. The consequence is that the Government's policies will keep more people on the dole, not fewer, and more people out of work, not fewer. That is what the Budget does, and that is on an optimistic reading, because we know that the Treasury's real assessment is worse.

The only reason why the Government think that employment will be growing at all is that they are counting on around 2.5 million net jobs being created in the private sector over the next five years. However, that is something that John Philpott of the Chartered Institute of Personnel and Development and other respected economists have said is simply unrealistic. The Government are living in cloud cuckoo land. In fact, the *Financial Times* survey of major private sector employers found that none was planning to increase recruitment on a large scale just because the public sector was cutting back. Arriva said:

"We are not planning a recruitment drive any time soon. Everybody is watching their costs at the moment."

Today's KPMG survey found that the number of new recruits is at a seven-month low, just at a time when it should be increasing. Business confidence has been hit by the Budget and the austerity approach that the Government have been pursuing.

The Government have abolished the regional development agencies, which were supporting jobs in the regions, and cut Building Schools for the Future and other capital projects that were supporting construction jobs. The Government are hitting jobs in the public sector and the private sector, all at a time when the economy is still weak. They say that this is unavoidable, but that is simply untrue. They do not need to cut £40 billion extra from the economy; they have chosen to do so, even though that will cut jobs and hurt the unemployed. The Government do not need to cut the help for the unemployed that is getting them into jobs; they have chosen to do so, even though it will increase long-term unemployment. They do not need to push up the costs of unemployment; they have chosen to do so, even though that will cost us more. They do not need to scar young people for years to come; they have chosen to do so, just as they did in the '80s and '90s.

Why are the Government doing that? It is because they say that they have to get the deficit down. Why are they introducing a savage Budget to cut the number of jobs in the economy? They say that that has to be done because of the scale on which they want to get the deficit down and the pace at which they want to do it. In the 1990s, the Conservatives said that unemployment was a price worth paying to get inflation down. Now they are saying that unemployment is a price worth paying to get the deficit down. However, unemployment is not a price worth paying; unemployment will stop the deficit coming down. This year's school leavers will pay the price, our young people will pay the price, and we will all pay the price for many years to come. Unemployment is not a price worth paying. It is time that the Government ditched the failed ideology of the 1980s and the 1930s, and supported jobs for the future. That is what our party will do, and I commend the motion to the House.

2.14 pm

The Minister of State, Department for Work and Pensions (Chris Grayling): I beg to move an amendment, to leave out from "House" to the end of the Question and add:

"welcomes the emergency budget which will tackle the unprecedented legacy of debt over the next five years by reducing borrowing from a projected £149 billion this year to just £20 billion in 2015- 16; notes the Office for Budget Responsibility's projection that unemployment will fall in every year of this Parliament as a result of the Government's policies to stimulate private sector employment by reversing the damaging increase planned for employer national insurance contributions, introducing a £1 billion Regional Growth Fund, reducing the corporation and small profits tax rates and increasing the Enterprise Finance Guarantee, resulting in the creation of a projected two million new private sector jobs by 2015-16; further welcomes moves to implement a single work programme that will provide personalised support to help people move into sustained employment, to introduce a

£1,000 increase in income tax personal allowances which will incentivise work, to reform the benefits system to ensure that work pays and to provide 50,000 new apprenticeships and 10,000 new university places for young people, thus stimulating growth, delivering jobs and creating a fairer society for all."

May I start by passing on the apologies of my right hon. Friend the Secretary of State to the House? Despite what the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper) said, he has an important job to do in helping to lead our public sector out of the mess in which the previous Government left it, and he has an important leadership role with the people who will help him to do that. I am sorry that the right hon. Lady is disappointed to be debating against me this afternoon. I am rather pleased, frankly, to be debating against her and I was impressed by her lively form. I somehow think that the wrong member of her household is running a Labour leadership campaign.

Listening to the right hon. Lady, one would think that the past decade had been one of economic triumph and effective employment policies, and that the previous Government had left behind a golden legacy of wise and effective policies. Well, they did not. What they left behind was an economic hangover that we will all be dealing with for years to come, and I am not referring just to the huge deficits or the huge planned spending cuts that Labour had lined up. Indeed, one would think from listening to her this afternoon that the previous Government had no plans to cut spending. Actually, the opposite was the case. What they did not do was give us any detail whatever on where that money was going to be saved.

If we look back over the previous 13 years, the story is a pretty sorry one, with 400,000 more unemployed people today than when Labour came to power in 1997, a higher level of young people not in education or employment, and a lower proportion of people in work. Over that period, Labour spent billions of pounds on projects to try to get people back into work. They spent billions through the recession on supported programmes, but things have actually got worse. What we on the Government Benches know is that long-term sustainable jobs are created by the private sector, not by Government schemes.

Even when jobs were being created over that decade, Labour completely failed in its mission of trying to get people into work. Large numbers of people managed to come into the UK from overseas and find jobs, yet through the years of Labour Government, we consistently had some 5 million people stranded on out-of-work benefits. Many of them could have worked and many of them should have worked, but under Labour it just never happened. So much for "Things can only get better".

Mr Graham Stuart (Beverley and Holderness) (Con): A particularly poisonous legacy of the previous Government and their economic failure was the plight of young people. We now have 1 million young people who are NEET—not in employment, education or training—but even before the credit crunch came, there were as many people NEET at the end of that period of economic growth—albeit unsustainable growth, as we now find—as there were when Labour came to power. The previous Government let down young people, scarring them for life. We now have 1 million young people unemployed because of Labour, yet we have had no apology. What we need is this Government to sort out the mess that the previous Government left behind.

Chris Grayling: My hon. Friend is absolutely right, and I would ask the House this question. Why would we take Labour Members seriously on youth unemployment when they had such a terrible record on youth unemployment over 13 years in government? What we saw from Labour in office was at best incompetence, at worst a wilful disregard for taxpayers' money, and a failure to understand how to create long-term sustainable jobs in the economy.

Mr Wayne David (Caerphilly) (Lab): Has the right hon. Gentleman made any estimate of how unemployment will increase because of his Government's policies?

Chris Grayling: We have taken a decision—and rightly so—to push out of Government the job of economic forecasting. That is the purpose of the Office for Budget Responsibility. Its analysis, independent of Government, is that unemployment will fall and employment will rise as a result of the decisions that we have taken in the Budget. That is the direction in which we should be heading.

Those in the previous Government cannot simply blame the recession for this mess. Despite 10 years in power, even before the global banking crisis started, more than 15% of our children—1.75 million children—lived in households where no one worked. We have one of the worst rates of workless households in the EU. I am therefore delighted to take on the right hon. Member for Normanton, Pontefract and Castleford on employment today, and to remind the House and this country what a terrible record the previous Government had in their 13 years in office.

There were fewer jobs in manufacturing. We have heard a lot of talk today about the 1980s, but let us be clear: the big drop in manufacturing employment in this country and the big slump in the proportion of the economy taken up by manufacturing took place under the Labour Government, between 1997 and 2010. Labour should be ashamed of the previous Government's calamitous record on supporting manufacturing business in this country and creating a regulatory environment that drove so many firms out of business and overseas. The previous Government constantly missed their targets on apprenticeships. We heard again and again of how they were going to deliver hundreds of thousands of apprenticeships, but they never hit their targets. They spent massive amounts on employment programmes—designed in Whitehall but ineffective in practice—and they left the biggest deficit in our peacetime history. After all those promises about ending boom and bust, Labour finished with the longest recession in the western world.

Toby Perkins: The right hon. Gentleman mentioned that some programmes were ineffective. One of the programmes that he has cut is the future jobs fund. I tabled a written question about that for his Department, but it was completely unable to tell me how many jobs had been created in my constituency. As the Department obviously does not know whether the future jobs fund was successful or not—it is too early—and as it is

[Toby Perkins]

unable to provide any evidence that it was not, why does the right hon. Gentleman not just admit that cutting the scheme was a decision made for ideological reasons rather than because it was not working?

Chris Grayling: What we sent to the hon. Gentleman in the written answer was the details of the future jobs fund placements in his area. We have to be careful with taxpayers' money, and it would therefore not have been prudent to collect data down to constituency level. However, the information is there for him to see, and when he looks at those data, he will see that the success of the future jobs fund in creating jobs has been consistently below target all the way through.

Let me lay to rest one myth today. We have not stopped the future jobs fund. Tens of thousands of additional places will be created over the next few months under the future jobs fund. We have said, however, that we need to take tough decisions in the light of the mess left behind by the previous Government. Also, by next spring, we will be bringing on stream the Work programme, which we believe will provide long-term support for those who are looking to get back into work. I shall say a bit more about that in a moment.

Mr Heald: Does my right hon. Friend agree that the overall picture of Labour's employment schemes shows that they helped into work the people with the highest levels of skill, and people aged between 25 and 49, and that a vast population was simply left behind that could not compete with the people who were coming into this country and taking the jobs that were on offer?

Chris Grayling: My hon. Friend makes an important point. What we learned from the new deals was that people were simply cycled round and round. They went through the system again and again because they were not placed in sustainable employment. That is one of the problems with Labour's approach.

Let me tackle the issue of the future jobs fund head on, because we have heard a lot today about Labour's flagship scheme. Around 100,000 future jobs fund jobs are still being created under the current scheme, costing up to £6,500 each. As the right hon. Lady said, most of them are in the public and voluntary sector. I could be wrong, but my idea of sustainable employment is not a six-month work placement in the public and voluntary sector. It is about getting people into long-term roles in the private sector, which can provide a long-term career for them. That is why our emphasis has been on creating apprenticeships, and 50,000 new apprenticeships have been created in a very early move by this Government.

Mr David Lammy (Tottenham) (Lab): Is it not insulting to people who work in the voluntary and public sector to imply in this House that those are not real jobs? Would the right hon. Gentleman like to withdraw that last statement?

Chris Grayling: That is not what I said. The right hon. Gentleman clearly was not listening. A six-month work placement in the public and voluntary sector with no guarantee of a job offer at the end of it, and no certainty that the role will involve the kind of skills development that an apprenticeship would offer, is a poor relation compared with the programme of apprenticeships launched under this Government.

Mr Lammy: I know that the right hon. Gentleman is an educated man. He has said that the country is in a recession. Is it not axiomatic that, in recession, private companies tend not to invest in employment? The purpose of the future jobs fund was precisely to create employment in the public sector, because the Government had leverage over the public sector.

Chris Grayling: But the way that we will create long-term jobs for the future will be to revitalise and energise our private sector. The reality is that the Labour party went into the general election campaign promising to increase the tax on employment and to make it more expensive for the private sector to employ people. How can the right hon. Gentleman think that that is a route to long-term sustainable growth and opportunity for employment in this country?

Rushanara Ali (Bethnal Green and Bow) (Lab): May I ask the right hon. Gentleman whether there will be a job guarantee with the 50,000 placements that will be arranged under the apprenticeship programme? Also, where is the logic in making people wait so long? There are still many unemployed people in my constituency. After someone has been unemployed for six months, the private sector will treat them as long-term unemployed. How can it be right to leave people waiting until next spring before giving them something to work on?

Chris Grayling: I know that the hon. Lady is a new Member, and she might not be aware of the changes made by the previous Government. One of the things they did was to extend the period that people had to wait before they could receive support on employment programmes. In the case of young people between the ages of 16 and 25, the period was extended from six months to 12 months. I agree with her that things need to happen sooner, and one of the things we will do in the Work programme is to give that support sooner.

The coalition Government are committed to supporting people in sustainable employment, providing opportunities that will provide skills, open doors and help people to stay in work. Our goal is not to get people off the unemployment register temporarily, but to work with them to achieve a goal of lasting employment. That means plotting a different course. The same tired old policies will not work. For too long, economic growth in Britain has been unbalanced, driven by the accumulation of unsustainable debt and a bulging public sector. We have been forced to deal with the largest public spending deficit in peacetime history, and the crisis in the eurozone has shown that the consequences of not acting are severe.

Yvette Cooper: I have heard what the Minister is saying, but how does he account for the fact that, in 2012-13 and 2013-14, employment will be 110,000 lower as a result of his Budget than it would otherwise have been, according to the assessment of the Office for Budget Responsibility? If there are fewer jobs in the economy, how on earth does he think young people are going to get more of them?

Chris Grayling: If the right hon. Lady looks at the figures, she will see that the OBR is forecasting an increase in employment of 1.5 million jobs in the wake of the Budget over the next few years. My goal, and the goal of this Administration, should be to ensure that as many of those jobs as possible go to people who are on benefits, many of whom have been on benefits long term. The big mistake of the past decade when jobs were being created was that that simply did not happen.

Yvette Cooper: Again, I ask the right hon. Gentleman to confirm the OBR's forecast that, as a result of this Budget, employment will be lower. Before the Budget, it forecast 29.47 million jobs in the economy for 2012-13; after the Budget, it forecast 29.36 million jobs for the same year. Will he confirm that the consequence of his Budget will be to cut the number of jobs in the economy?

Chris Grayling: The right hon. Lady has continued to operate on the basis that the public sector could somehow remain as it was, and that we could carry on spending the same amounts of money. She does not seem to understand the consequences of carrying on with the same level of deficit. They would include higher costs for business and higher interest rates. We can see the consequences in the eurozone of not getting to grips with the deficit. We are interested in creating long-term, sustainable employment, which is why we want to deliver schemes and support that will encourage the private sector to grow and develop. That will not happen if we maintain a deficit, however.

Yvette Cooper: But will the Minister confirm that the reason for the lower number of jobs forecast for 2012-13 is that the private sector will have been hit by the consequences of his Budget?

Chris Grayling: Last week, the right hon. Lady was criticising us for theoretically planning job reductions in the public sector. She cannot have it both ways. We cannot have an increase in employment, a fall in unemployment and a fall in public sector employment without the private sector beginning to take people on again. This might be a point of difference between us, and I can accept that, but I believe that, over the next 10 years, we shall need a successful, flourishing private sector that can create sustainable jobs. I am sorry that the Labour party appears to be reverting to type in believing that the public sector can somehow carry it all. This is a point of difference between us, but I believe that we will not create opportunities for those young people unless we have proper, sustainable private sector employment.

Catherine McKinnell (Newcastle upon Tyne North) (Lab): Will the right hon. Gentleman give way?

Chris Grayling: If the hon. Lady will forgive me, I would like to make some progress.

We will introduce radical reform and follow policies that will encourage growth and development in the private sector. We will also radically reform welfare, with a real focus on helping people to find sustainable work. We will reform the benefits system so that work pays. We will tackle endemic worklessness and the intergenerational cycles of disadvantage that it creates. We will halt the tragic waste of human potential that exists when people are out of work. When I listen to Labour Members talking about unemployment, I simply remember their record over the past 10 years, and those 5 million people who have consistently been on benefits.

Next year, we will launch the Work programme to provide a coherent package of support for people who are out of work, regardless of the barriers that they face or the benefits that they claim. We will end the programme complexity that we have seen over the past decade, and replace all the paraphernalia of programmes with a single, integrated package of support. It will not be a one-size-fits-all scheme, however, because we have had too many such schemes from Whitehall. We will trust the professionals on the ground who deliver back-to-work support to find the right way of delivering that support to individuals. We will look to investors in the private, public and voluntary sectors to provide the support, and we will judge the organisations that participate on their success rate.

John Woodcock (Barrow and Furness) (Lab/Co-op): Of course I want whatever new scheme the Minister comes up with to succeed, but does he share my concern about the possibility that the private contractors whom he wants to employ will charge more for their services because the changes the Government have made in the Budget will result in fewer jobs in the economy than there would otherwise have been?

Chris Grayling: That is not my concern. My concern is to ensure that, if the OBR forecasts are correct and we see employment growth amounting to 1.5 million more jobs in the next few years, we do not make the same mistake in government as the hon. Gentleman's party did and fail to get people off benefits and into work to take those jobs. I do not want to see a steady and unchanging level of millions and millions of people on out-of-work benefits over the course of a decade while jobs are created around them, effectively operating outside our mainstream society. That must change. I want opportunity for those people. I want to see them back in employment. I am sure the hon. Gentleman shares that goal, but what we aim to do is make it happen this time around.

Miss Begg: I am sure the Minister is well aware that the increase in the number of people claiming incapacity benefit is a result of mental health problems. He may also know that, in response to most surveys, 60% of employers say that they would not employ someone who has had a mental health problem. How will the Government solve that conundrum?

Chris Grayling: The hon. Lady has made an important point, which I am sure her Committee will want to address. In fact, I was going to refer to the work capability assessment. These are important issues, and we clearly face a big challenge. There are 2.2 million people on old-style incapacity benefit, and we must do all we can to help as many of them as possible to return to work. Of course, not all of those people will be able to work and many will need to continue to receive unconditional support throughout their lives; but every organisation I have ever worked with, come across or talked to that works with people with disabilities and long-term sickness problems would like to see more of

[Chris Grayling]

them back at work. We all believe that work will help those people, and I am determined that this part of the Work programme will make a huge difference to them.

Toby Perkins *rose—*

Chris Grayling: I will give way once more, but then I really must make some progress.

Toby Perkins: I am grateful to the Minister, who has raised the important issue of people on incapacity benefit and the large number of people with mental health problems. Given his belief that the solution to those problems lies in the private sector, is he aware of many private sector employers who are rushing to employ people with a history of mental health problems or with a serious history of incapacity problems?

Chris Grayling: The key to supporting people with mental health problems and other disability issues is winning the confidence of employers, and the role that can be played by providers—whether in the private or the voluntary sector—in forging relationships with employers. I believe that as that relationship strengthens, as people start to obtain work placements and as employers start to work with some of those who have been on incapacity benefit, employers will become more ready and willing to provide extra opportunities.

I have no doubt that many businesses in this country want to do the right thing. I believe that, in general, members of our society recognise that we cannot go on with the same number of people stranded on incapacity benefit. I am confident that if we get the programme right and deliver effective back-to-work support for those people, the opportunities will be there and will grow as time goes by. I know there is consensus across the House on this proposal. We came up with it originally, and the previous Government adopted it. Now we are taking it forward, and we will work hard to refine the work capability assessment to ensure that we get it right. I look forward to working with the Select Committee and the hon. Member for Aberdeen South (Miss Begg) to achieve that. It is fundamentally important that we actually make a difference to those people, about a quarter of whom have claimed incapacity benefit for more than 12 years. That has had a devastating impact on the people themselves, and it is a burden we have had to carry as a society. We must do all we can to help as many as possible of those people to make something better of their lives.

All that, of course, is in addition to the support that will continue to be provided by Jobcentre Plus. I agree with the right hon. Member for Normanton, Pontefract and Castleford that its staff do a first-rate job, which in recent years they have done under great pressure. I am glad that that work is recognised on both sides of the House.

Our package of reforms is not just about getting people into a job, and it is not just about saving money; it is all about helping people to make more of their lives. We have heard so much from the Labour party in recent weeks about its policies and how they would have made all the difference, but I do not buy that; I do not think they are right. What we inherited from Labour was a series of commitments it could not afford and a series of plans that involved short-term solutions to its political problems, rather than long-term solutions for the individuals concerned and for our country. We need a fresh approach, which is why we believe so strongly in focusing on apprenticeships rather than the future jobs fund.

Apprenticeships provide an opportunity to learn new skills that are actually valued by employers. They give people a chance to learn a trade and to embark on a career, while also improving productivity and developing a talent pool. A Labour Member mentioned skills. I happen to believe that a well-run apprenticeship is a much better way of giving someone a platform for life. That is why we are spending £150 million on a programme involving 50,000 apprenticeships that can make a difference.

Rushanara Ali *rose—*

Chris Grayling: I will give way once more, but then I must wind up my speech so that others have a chance to speak.

Rushanara Ali: May I ask once again whether there will be a job guarantee for those 50,000 apprentices? My question was not answered when I asked it earlier, and it is the kind of question to which my constituents want an answer. There is no point in people joining those programmes if there is no opportunity for them to get jobs when the programmes end.

Chris Grayling: We intend to continue the young person's guarantee until the launch of the Work programme. However, there is no guarantee of a job at the end of any programme. The programmes are intended to create opportunities for employment. None of the last Government's programmes involved a guarantee of a job at the end. The best we can do is to ensure that people are as work-ready as possible, and then try to provide an environment in which jobs are being created for which people can apply.

Alison McGovern (Wirral South) (Lab) *rose—*

Chris Grayling: I said last time that I would give way only once more, but I will give way to the hon. Lady because I have not done so before. Then I must make progress and wind up my speech.

Alison McGovern: I am grateful to the Minister. It is fantastic that in my part of Wirral we saw a tenfold increase in the number of apprenticeships between 1997 and 2008. Does the Minister agree that the best thing we can do with apprenticeships—we all agree they are vitally important—is not to try to rewrite history or cut our way out of the recession, but to try to build business confidence so that investment in apprenticeships continues in my constituency and others?

Chris Grayling: One of the disappointing things about the last Administration was that we kept hearing the then Prime Minister make promises about numbers of apprenticeships. Year after year, we looked at how many had actually been delivered, and saw that they never hit the target. I hope we will not make the same mistake, and I believe that the 50,000 apprenticeships we have

announced will make a difference to a large number people who will take them up as part of the Skills for the Future programme.

Mary Creagh (Wakefield) (Lab): Will the Minister give way?

Chris Grayling: No; I am going to wind up my speech now.

I want to end by making a point about the overall context of our proposals. We are trying to create an environment in which business can grow, develop and flourish. The Budget was about that as well. The Chancellor announced measures to stimulate growth, including a reduction in the main rate of corporation tax and the rate of corporation tax for smaller companies, a reduction in the main and special rates of capital allowances, an increase in the enterprise finance guarantee, the creation of a growth capital fund, and the regional support with which we intend to help private sector employers to grow and develop in our regional areas. We also stopped the Labour jobs tax. All those measures are designed to create an environment in which small, medium-sized and larger businesses can grow, develop and create jobs in the next few years, and they have all been welcomed by business groups.

Yvette Cooper: Will the Minister give way?

Chris Grayling: Oh, go on.

Yvette Cooper: I thank the Minister for his generosity in allowing me to intervene again. He referred to support for the private sector and for private sector growth. Will he confirm that according to the OBR's own assessment, in 2012-13 private sector employment will be 260,000 lower than it would have been under Labour's Budget?

Chris Grayling: When will the right hon. Lady recognise that the Labour Budget was not affordable? It was taking the country down a path we could not afford. We have seen in the eurozone what happens if nations try to do things they cannot afford. Labour Members keep going on as if nothing had happened—as if all would somehow have been swimmingly good if they had returned to office, and all the problems would have been sorted out—but it is not like that. Labour Members are living in a fantasy land, but the reality is that business groups welcome what we have done.

Richard Lambert, director-general of the CBI, has said:

> "There was clear recognition of the role that business needs to play in getting the economy back into shape, and generating the jobs and wealth needed to sustain economic recovery."

The British Chambers of Commerce has said:

> "The government's decisive moves to cut the deficit will have positive effects on business and investor confidence. Even more importantly, the Chancellor's message that Britain is open for business will be welcomed by companies the length and breadth of the country, and across the globe."

That is what we need to do to create the environment in which Britain is a good place to do business again, and in which jobs are being created.

It has been interesting to listen to Labour today. To be honest, it has been like a Westminster version of "Life on Mars". Suddenly we are back to the old Labour rhetoric of the past. They seem to believe that what we need is big Government to create jobs, and if we spend just a bit more all will be well. That is nonsense. We know that we need flourishing businesses if we are to create jobs for the future. We know that we need the right skills and technologies for the future. We also know that we need to ensure that everyone in our society has the chance to find the right opportunity for themselves. We heard some of those messages from new Labour in its heyday, but they were never followed through. We are all paying the price now. This Administration will not make the same mistakes that Labour made.

2.40 pm

Mary Creagh (Wakefield) (Lab): I was unable to intervene on the Minister of State on the role that big firms will play in creating the jobs of the future. I wondered whether he had seen the survey by the consultancy and accountancy firm Deloitte which concluded that big firms fear that a new recession will hit the UK. It said that business confidence has been knocked, in large part by the shroud-waving and fiscal hysteria from the Conservatives in creating the mood music for this draconian Budget. The survey of finance directors from 32 FTSE-100 companies and 93 UK companies accounting for 28% of the equity market showed that the net percentage of those who were more optimistic had dropped from 40% to 24%.

The hon. Member for Bedford (Richard Fuller) made a point about small business investment, but businesses need confidence if they are going to invest in the future. They will not invest in creating the jobs of the future if they are worried that this deflationary Budget, which will knock 1.3 million jobs out of the economy, will leave them high and dry. The money that they would otherwise invest could be kept for a rainy day or a potential future run on the bank.

John Howell (Henley) (Con): The hon. Lady says that what business needs is confidence. I do not disagree, but most of all business needs money. It was her Government that deprived people of the money to make their businesses work.

Mary Creagh: That is an extraordinary allegation—that somehow the Labour Government took money away from businesses. I thought that it was the banks—*[Interruption.]* There was a failure of regulatory oversight, but it was not just in this country. It happened across the world. In future, economic historians will look at the psychological group-think that prevailed across the world in all Treasury departments. There was an economic orthodoxy that the level of growth was sustainable. In the end, the bubble burst and it was not sustainable, but we made the decision not to allow the collapse of a bank to mean that people lost their savings.

We also decided to follow the Keynesian route back to employment. For those Members on the other side of the House who are unaware of Keynesianism, I recommend an excellent article in *The Independent* by Robert Skidelsky, who was Keynes's biographer. He is no left-wing madman: he is a sensible and respected economist. He has an interesting analysis of the Budget that makes sobering reading, and I recommend it to all hon. Members of whatever party.

Mr Graham Stuart: I am grateful to the hon. Lady for giving way. As ever, she speaks with passion if not on this occasion with quite so much knowledge. Business is struggling because when the economy was booming and it was necessary to curb the lending of the banks, the Labour Government did the opposite and loosened the conditions for lending. After the collapse, the Labour Government did the opposite and tightened the requirements on the banks so that they were unable to lend. That is how the Labour Government both fuelled the boom and boosted the bust and that is why business is struggling so much to recover from Labour's disaster.

Mary Creagh: I am so grateful to the hon. Gentleman for that basic lesson in economics. He may not be aware of my past working as an adviser to small businesses and to MBAs at Cranfield university on how to set up small businesses. Our economic record between 1997 and 2005 was extremely good when it came to ensuring that new businesses were created—*[Interruption.]* Would he care to listen to my answer or does he just want to keep commenting from a sedentary position? He claims that we turned the tap on too fast and then turned it off. It is understandable that when Governments end up owning majority shares in banks, they want to ensure that credit flows to businesses—and we ensured that that was happening through the small firm loan guarantee scheme. Now, the banks are almost in a monopoly position, and we need more competition for high street banks and to change their risk aversion when it comes to lending to small businesses.

We are straying from the point, which is the effect of the Budget on unemployment. The OBR has had an extraordinary few weeks. It was set up and has published its little forecasts, but now suddenly Sir Alan Budd—who set it all up—is to leave. I have been in politics a few years now and when someone leaves unexpectedly, I try to work out why. Why is it that someone in a brand-new, start-up situation who wants to perform a public service is leaving? I wonder whether there has been a row. Perhaps in the future we will find out the real reason—perhaps that he was leant on for the employment figures, which are heroically optimistic. The OBR claims that more than 2 million jobs will be created in the private sector over the next five years, but John Philpott, the chief economist at the Chartered Institute for Personnel and Development, has said:

> "There is not a hope in hell's chance of this happening. There would have to be extraordinarily strong private sector employment growth in a...much less conducive economic environment than it was during the boom."

The hon. Member for Beverley and Holderness (Mr Stuart) says that we funded small businesses through the boom, but the OBR and the Treasury now claim that we will have a similar level of employment growth—another boom—but there is no credit to finance it and, by the way, they are cutting huge amounts out of the public sector. I will give way if any Member opposite can tell me how that will happen. I thought not.

Mr David: Does my hon. Friend agree that in many areas, including south Wales, there is a close relationship between the public sector and the private sector? Draconian cuts to the public sector will have knock-on effects on the private sector.

Mary Creagh: My hon. Friend makes a good point, and many skilled IT workers and other professionals will lose valuable public sector contracts as the so-called bureaucratic back-office functions are scaled back.

One of the ways in which the Minister proposes to help the unemployed is by laying off 2,000 jobcentre staff in the next few months. It takes a particular sort of genius to do that in a recession, and I bow to the greater knowledge of the Conservative Members. How will they help people back into work with fewer people on the front line?

George Freeman (Mid Norfolk) (Con) *rose—*

Mary Creagh: I will give way to the hon. Gentleman; perhaps he can tell me.

George Freeman: I thank the hon. Lady for giving way to the greater prowess on this side of the House. I appreciated her comments earlier about the importance of the private sector. The fundamental truth in this debate is that the private sector does something that the public sector does not—it pays for the public sector. It pays for itself and its profits pay for the public sector. The hon. Lady nods, which is nice to see. As she worked in the private sector helping small businesses, does she agree that the biggest fear of people in the private sector is not cuts to the public sector, but the threat of a rising debt crisis with interest payments alone—now she shakes her head—forecast to rise to £67 billion a year? The effect that that would have on the sovereign debt crisis and the threat of rising interest rates could plunge this country into a serious economic crisis.

Mary Creagh: I thank the hon. Gentleman for his point. We are in danger of rehearsing the arguments that we had at great length on the Finance Bill last night. I chose not to speak in that debate, because otherwise it might have dragged on even later than it did. However, I do not think that someone running a corner shop in south Wales is worried about the interest payments on Government debt. Interest rates on Government debt are historically low, and the repayment period here for such debts is, at 14 years, longer than in the US and Greece.

Government Members need to be very careful about the shroud-waving that they have done in connection with the Greek fiscal deficit. The UK is in no way comparable to Greece, which is an island economy based on tourism—*[Interruption.]* If the hon. Member for Beverley and Holderness (Mr Stuart) listens, he might learn something. Greece has 178 different public sector pensions, and none of them is funded. In addition, matrilinear succession means that the wife inherits when a man dies, and that the daughter inherits when the widow dies. Trying to compare Greece to the UK is absolute madness.

George Freeman: Will the hon. Lady confirm first of all that I did not mention Greece? She has mentioned pensions, but the second thing that concerns the private sector is unfunded public sector pension liabilities, which also saddle the private sector economy. She seems to talk as though the public sector can somehow carry on spending money, but it is the private sector that has to pay for it.

Mary Creagh: In the end, we all end up paying for it. We made pension reforms to try and get people in the private sector to enrol in pension funds, because companies in that sector tend not to pay pensions or enrol their staff in stakeholder pensions. As a result, the taxpayer—the state—picks up the bill and we all end up paying for it. The important point is that the state is, in the end, the lender and the funder of last resort.

Mr Graham Stuart: Will the hon. Lady give way?

Mary Creagh: I will not take any more interventions, as this debate is turning into another Second Reading of the Finance Bill and I want to talk about unemployment and the future jobs fund.

In my constituency of Wakefield—which is well known to my right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper)—700 places were allocated under the future jobs fund. We are not clear how many have survived the Government's hatchet job, but I was privileged to welcome 50 young recruits to Wakefield council.

In addition, with my right hon. Friend I met three future jobs fund recruits at the Able project, an environmental scheme that uses a piece of disused land owned by Yorkshire Water that lies next to a sewage treatment works. One could not hope to find a less glamorous environment, but the project has created something very beautiful. Its organisers have worked with Nacro and the mental health trust to get people digging, growing, learning and being out in nature. The land is between a sewage works and a railway line, but it is an area of environmental beauty. The project has become a green business, coppicing the hazel and willow that grows there.

I met two young workers there, and we were able to buy some of the honey that they had made. They told me that they had had an apprenticeship but that the collapse of the business meant that they could not carry on. After six months on the dole, they were desperate to get something.

My right hon. Friend the Member for Normanton, Pontefract and Castleford and I made the visit in March, and the young workers told us that they did not know what was going to happen at the end of the six months. They asked us to try and make the period a year, as that would mean that they had a year's experience under their belts. One young man was working visiting schools and showing children how to build nesting boxes.

The Able project is run by a third sector organisation, but I was aware that, at the end of his time there, the young man I had spoken to would have carpentry skills and experience of working with children. He was going to have all sorts of facts about nature and growing things at his disposal, with the result that a range of different organisations in the area could employ him.

I feel really heartbroken that that young man, the person whom I also met who is a support worker at Reconnect, a project that befriends older people across Wakefield who are at risk of isolation, mental health problems and loneliness, and the three people for whom I was trying to find work as wardens in Thornes park, are all now facing an extremely uncertain future.

Richard Graham (Gloucester) (Con): Does the hon. Lady agree that one of the challenges for the future jobs fund is that, because the placements last only six months and have been taken up almost entirely by the public and charitable sectors, they do not provide future jobs? I have spoken to several charitable organisations in Gloucester, just as she has in her constituency. They have got people doing things very similar to what she has just described. They make the same points that she does, but they recognise that these are not apprenticeships. They are different: they do not provide jobs, but really just take people off the unemployment register for six months.

Mary Creagh: The point is that they are entry-level jobs. The future jobs fund takes people off the unemployment register for six months, but the important thing is that those people then have a CV that does not say, "I've been on the dole and I don't know how to get up in the morning. I don't know how to set an alarm because no one's ever taught me. I've got used to staying in bed till half past 10 and then watching daytime TV." Instead, their CVs say, "I've been doing something productive and am able to get myself to work. I'm committed and I've developed my communication skills."

The young people involved may have failed at school and may not be academically successful. They need every chance that they can get: they may need a series of six-month placements to build up two years' worth of experience, because it may take them much longer to enter the employment market than someone with an Oxbridge degree.

Several hon. Members *rose—*

Mary Creagh: I have not finished, but I will give way to the hon. Member for Gloucester (Richard Graham).

Richard Graham: Does the hon. Lady agree that a real apprenticeship that lasts three years, like the 50,000 new apprenticeships that this coalition Government are committed to providing, is a much more genuine gateway to a real job than a series of six-month benefits and training programmes that has no real guarantee of leading anywhere?

Mary Creagh: I think that we should have both. I do not think that 50,000 apprenticeships will be enough; nor do I think that cutting Peter to spend money on Paul is a fair way to allocate resources.

Steve Rotheram: I am a product of something similar to the future jobs fund. In the late 1970s, there was something called a pre-apprenticeship scheme. I did six months on that and was very fortunate to complete it. The scheme was not just academic, as it gave me some transferable skills. It taught me to get out of bed and it led me, in later life, to do a master's degree in contemporary urban renaissance. That is the sort of opportunity that the future jobs fund is providing.

Mary Creagh: I thank my hon. Friend for that intervention. He truly is a renaissance man, and I hope that many of the young people whom we met who got their entry-level work through the future jobs fund end up sitting on these green Benches. I hope that they can make the same incredible progress and journey that he has made in his life.

[Mary Creagh]

I turn now to the Work programme set out by the Minister of State, Department for Work and Pensions, the right hon. Member for Epsom and Ewell (Chris Grayling). I have a great deal of concern about it. In a speech on 27 May, the Secretary of State spoke about

"a single scheme that will offer targeted, personalised help for those who need it most, sooner rather than later".

If it is a matter of sooner rather than later, why are we waiting until next year for it to come in? I suppose that that has to do with the fact that the Government want to set up what I presume is a national contract with large-scale training providers. I tried to intervene about this earlier, because the Government are asking those providers to bear the risk of training people even though their contract payments will depend on outcomes.

That raises a series of questions. First, at a time when deflation, very low growth or even a double-dip recession are all possible, why does the Minister think that the private sector will turn to the banks for loans to cover this training given that, as we heard earlier, the banks are averse to risk and not very good at lending? Output-related funding is currently calculated on the basis that it takes six or nine months to get a person into work and then 13 weeks to ensure that he or she has lasted in that job. Why does he think that organisations in the private sector such as Capita or BT will line up to take on the massive risk involved in training people and employing them, when there is such a huge amount of uncertainty?

I have another question for the Minister, and I will give way to him if he can answer. How does he think voluntary sector organisations such as Nacro—the National Association for the Care and Resettlement of Offenders—will be able to do this? Such organisations have specialist programmes working with the most difficult, hard to reach and disadvantaged people—prisoners, young offenders and ex-offenders. They have the benefit of being present in and running training courses in prison and are then able to offer some sort of continuity when the offender leaves. I am also thinking of providers such as Rathbone training, an organisation that I had the privilege of serving as a trustee for seven years. These are small-scale organisations—Rathbone's turnover when I left it in 2005 was £40 million. Why does he think that they will go to the bank—or their trustees would say that they should go to the bank—and borrow up to £20 million at a time, with a personal guarantee of the trustees, who are jointly and severally liable, who are for a programme when it is not clear that they will get the rewards from it?

Chris Grayling: I am happy to intervene briefly to confirm two quick points for the hon. Lady. The first is that, as she will recognise, this is an established marketplace that has grown. What we are talking about, in particular, is scale as a result of the incapacity benefit migration. We are pushing the envelope further than it has been pushed before, but established principles are involved. She is right about protecting voluntary sector organisations. I would be making another speech if I explained the full detail of how to do that, but I can assure her that I regard those organisations as important as she does.

Mary Creagh: I am relieved to hear that, but I am afraid that that was not an answer and I am unable to wait for another speech from the right hon. Gentleman to hear these plans emerge. Let us consider the position of an organisation 90% of whose budget depends on public sector contracts. Organisations are planning next year's budget now. They will be signing off budgets that need to be ready in February and the finance directors will be making those budgets ready in October, November and December. How will such an organisation make plans for 90% of its funding—that could be £35 million, or £37 million at 2005 prices—without knowing what the system and financing mechanism will be for voluntary sector bodies? If the right hon. Gentleman is to grant the voluntary sector privilege, will he not be in danger of doing something about which we have heard a lot—will he not be risking crowding out the private sector? I shall leave those thoughts hanging in the air.

Rathbone training works with teenagers who have had chaotic homes lives and who have encountered poverty and unemployment. Many of them have failed at school and many have had babies early in their lives. Rathbone carried out a survey of those young people, asking them which profession they would like to pursue. Everyone in the Chamber will probably be relieved to hear that only a handful wanted to be footballers, pop stars or WAGs. Instead, the majority of Rathbone trainees preferred more everyday jobs such as car mechanic or office worker. That was summed up by a 17-year-old lad from Newcastle, who said:

"I'm happy at the moment training to be a bricklayer."

I just hope that he has a job to go to in the construction industry when he finishes his bricklayer training. On the current prognosis, I am sceptical about that happening.

I am concerned about the incapacity benefit reforms and the assertion that such a one-size-fits-all approach will be better. Why will it be better than programmes run by people in the public sector? I am not so sure that it will be. I am concerned that we are going around in a circle—we are going back to the 1980s, as my right hon. Friend the shadow Secretary of State said, and back to the 1930s. We are going into the failed Thatcherite schemes of the 1980s—a youth training scheme mark 2. In the current plans, however, there is no enterprise investment scheme—and that did exist in the 1980s. We have heard a lot about the need for a vibrant and flourishing small business sector, but these reforms contain nothing, as yet, that allows would-be entrepreneurs in constituencies such as Wakefield and Normanton, Pontefract and Castleford, as well as those in Liverpool, to set up their own businesses. I hope that the Minister, who is no longer in his place, will examine that.

Mr Graham Stuart: Does the hon. Lady regret the devastating effects on manufacturing of the past 13 years under the Labour Government? Does she have any thoughts on what can be done to encourage manufacturing? This is not just about construction and other private sector jobs, because we need to restore and rebuild manufacturing, which was growing in the last few years of the previous Conservative Government but has been devastated during the past 13 years under Labour.

Mary Creagh: I can perhaps turn the question around on the hon. Gentleman by asking him whether he regrets what happened to cities such as my birthplace of Coventry, where I grew up in the 1980s. All the car factories that I grew up around—the Massey Ferguson tractor plant, the Carbodies taxi plant and the Alvis

plant, which used to make tanks, and the Coventry Chain Company—were all replaced, either by housing or by retail parks. The factories were all shut down during the short few years between 1984 and 1989, when thousands of incredibly skilled workers in those factories were lost. In addition, does he regret the fact that the previous Conservative Government shut down the coalfields of Wakefield, which could now be doing something to reduce our dependence on foreign energy supplies? I shall leave that matter for another debate.

I am concerned about the effect of benefit cuts on women. I am keen to hear from Conservative Members about the move to employment and support allowance and to jobseeker's allowance. A little piece in the Red Book says, "After you have been on JSA for more than a year, your housing benefit is cut by 10%." I am keen to hear from the Conservative Front-Bench team whether women with children—these children may be only a year old—will be affected by that proposal. If they are affected, that is an incredibly draconian policy.

I have no problem with women who have children going out to work. I am a mother of two children and I came back to work here when my child was six months old. I have no problem with encouraging mothers to get out of the home and into the workplace, and expecting them to begin the search for work when their child is three and has access to the free nursery place is very important. The idea that one can say to a mother with a babe in arms, "You have to put the baby into child care and go out to look for a job otherwise your housing benefit will be cut by 10%" is, as my right hon. Friend the shadow Secretary of State said, a return to the Victorian values of the workhouse and the notion of dividing the poor into two segments: the undeserving poor and the deserving poor. I leave that thought with hon. Members.

I shall now discuss the issues associated with people moving house to find work. I have no problem with mobility, because people should look around, think and open their horizons in the search for work; my parents are Irish and they came to this country on the boat—not on a bicycle—in the 1960s, finding gainful employment in Birmingham and then Coventry, where they settled and got married. However, we need to examine carefully the psychological impacts of asking people to leave their homes to look for work. One of the great untold stories of the Irish diaspora is the psychological impact that emigration has on the mental health, the alcohol dependency and the level of premature death of a particular community. The Irish are the only community whose life expectancy decreases upon emigration to this country. That is perhaps a little-known fact, and I can see the hon. Member for Beverley and Holderness (Mr Stuart) is thinking it through.

That is what happens when people move away from their communities, so it is very important that we ensure that we have the structures in place so that people can be supported if they want to move. I would turn the question around by asking another one. Let us consider what would happen if someone from Wakefield or a high unemployment area wanted to move in order to work, found themselves a job in London and went to one of the city centre local authorities, such as Hackney, Camden or Islington, asking to be put at the top of the housing waiting list. What would that do to the Islington, Camden and Hackney residents waiting to get out of overcrowded accommodation? How would seeing people coming in from outside and getting houses affect them? Would any such provision have to involve a minimum time that someone keeps a job? Would people have to stay in their job for three months, six months or a year? If they lost the job after 12 months through no fault of their own, could they keep the house or would they be expected to make the long train journey, or the long car journey back up the M1, to the city that they left?

I conclude by discussing unemployment and what it means to Opposition Members. For us, unemployment is not a theory, an abstract thing or a thing that has to be tackled. For us, unemployment is what happened to our families, friends, communities and, in the recessions of the '80s and '90s, ourselves. As for the idea of the big society, I say to Government Members that our society is not broken. Over 13 years, our Labour Government spent a lot of time, energy, money and thought trying to mend the broken society that Thatcher and Major bequeathed us in 1997.

In 1979 there were 1 million people on the dole, and the Conservative party won that year's election with the posters of unemployment queues and the slogan, "Labour isn't working". Three years later, 3 million people were on the dole, a level of unemployment that had not been seen since the depression of the 1930s—a particular type of genius that the Conservative party has in pursuing flawed and deflationary economic policies.

I remember, during my childhood, coming down to breakfast and hearing the figure for the number of cities where riots had taken place in 1981, and I could not believe the number of places where people had spontaneously gone out and created mayhem and anarchy because they were tired of being left behind. I remember the songs, such as "One in 10", about the one in 10 unemployed, and the song about my city of Coventry, "Ghost Town". It was a ghost town. That is how I grew up, and I do not want any child or constituent of mine to grow up in a ghost town. Opposition Members will continue to focus on unemployment, because, as my right hon. Friend the Member for Normanton, Pontefract and Castleford said, for us it will never be a price worth paying.

Several hon. Members *rose—*

Mr Deputy Speaker: Order. This is an important Opposition debate, and I want to give some gentle guidance. Hon. Members will be horrified to learn that we cannot go on until half-past 2 in the morning today, and that we intend to call the winding-up speeches at about half-past 6. If everyone wants to get in, and if people speak for wildly longer than 12 minutes, not everybody will be satisfied.

Also, I love interventions, which I think help the debate, but if they become mini speeches fewer people will get in. So, if we show some restraint, that will be very welcome to the entire House.

3.12 pm

Mr Oliver Heald (North East Hertfordshire) (Con): The House appreciated the passion with which the hon. Member for Wakefield (Mary Creagh) put her case, but if she were being frank she would accept that, in the 1960s, 1970s and, again, in the 1980s, this country faced

[Mr Oliver Heald]

some difficult economic problems. If she looks back at the history of interventions in the job market, she will see that since 1979 we have tried various options. Indeed, there has been some success in putting people back into work by using employment-market interventions, but I am sure that in her heart of hearts she will accept that we have let many people, particularly during the past 13 years, fall by the wayside.

The people who were getting jobs through Labour's employment schemes had skills or were in the age bracket of 25 to 49 years old. Many other people became part of that workless group whereby 3 million homes had no adult of working age in work at all. Those people were not seen on programmes, and very few of them were seen at all, so we need to consider a programme that really challenges that situation and looks to provide the help that people need in all aspects of work. Too many schemes have been based on just one benefit: if people were on one particular benefit, there was a scheme for them; and if people were from one age group, there was a scheme for them. However, we need something that captures all the issues and removes all the barriers to employment, so that everybody gets a fair deal from the Government.

There are some encouraging signs in the labour market. The Chartered Institute for Personnel and Development's latest quarterly survey shows for the first time in six quarters a plus 5 figure for the employment intentions of employers: they do intend to employ people. The figures for the south-east are particularly good, showing a strong intention to employ. Equally, Reed in Partnership, an excellent contracting company, has shown that the number of advertised vacancies is up by 5%, so there are some encouraging signs. However, the real question is whether the increase in private sector employment will be enough to deal with the undoubted fall in public sector employment and the likely redundancies there. That is the challenge for the next few years—to ensure that private sector employment increases sufficiently.

At *The Times* CEO summit last week, Sir John Rose, chief executive of Rolls-Royce, one of our best companies, was reported to have said that we as a country were very self-satisfied about the services boom in the Labour years, but that during that time manufacturing capability and competitiveness were on the slide. He noted that in higher education we are educating 7,000 people a year in media studies, at a time when China is educating technicians and people who will have skills in the nuclear industry. He rightly said that during that period we did not concentrate enough on investment in technical education at the secondary and tertiary levels, and that we need to address that issue if we are to have a future of success in the private sector.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): On Reed in Partnership's job index, the hon. Gentleman mentioned the figure for growth, on which the organisation comments in its press release, but that growth is predominantly in financial services, accountancy and insurance. The index also states that, compared with February, the figure for this month in charity and voluntary work is minus 30 index points; in construction and property, it is minus 7; in engineering, it is minus 8; in health and medicine, it is minus 19; in scientific, it is minus 6; in social care, it is minus 8; and in training, it is minus 15. In the north-east—my area—the salary index has also fallen, so fewer jobs are being advertised for less money.

Mr Heald: I think the hon. Gentleman is wrong, because the headline figure shows an increase of 5% over the past six months, but he is right about the differences between sectors and regions. He makes an important point, which we should not ignore, and I shall return to it later in my remarks. However, Sir John Rose's point was also well made. On the question of what needs to happen in this country, the role of apprenticeships should not be ignored, and 50,000 more apprenticeships are welcome, particularly given the good quality of education that they provide in technical areas.

In the latest CIPD survey, there is a lot of criticism of the abilities and work-readiness of our graduates, and there is a lot to be said for schemes such as internships, which get people ready for work so that they can do a good job as soon as they enter employment. I represent North East Hertfordshire, and a good thing about Hertfordshire is that we, as a county, have a series of institutions that are business-facing but educational. Our colleges are business-facing, and our university is well known as business-facing, which means that the county asks businesses what skills they need and our university provides the skilled workers. In terms of the employment service in Hertfordshire, if a graduate who is placed with a Hertfordshire company needs an extra skill, our university will teach them it, and our colleges all feed into that. It is no coincidence that we have the lowest number of NEETs in the country.

Mrs Jenny Chapman (Darlington) (Lab): Teesside university, the university of the year, is basing itself in my constituency, and I am quite interested in the hon. Gentleman's idea about graduates not being prepared for the workplace. Will he please identify exactly when in the history of university education employers said, "All our graduates are prepared for the workplace"? When was that golden age of preparedness?

Mr Heald: The hon. Lady makes an extremely good point, which is that we are not good enough as a country at preparing people for work. If we look at why we have so many workless families, and why employers are dissatisfied, it goes right back to the beginning—to school. The fact is that 40,000 young people leave school every year in this country who cannot read, write and add up properly. It is not good enough that we do not have the technical people we need in business coming through. This is a failure of the whole system that needs to be addressed. *[Interruption.]* The hon. Lady chunters, but Sir John Rose is probably one of the most eminent chief executive officers in the country, he is running a company that is a great success story, and he is right to highlight the need to do better on technical education and skills.

Over the years, we have had a range of employment programmes that have not succeeded as well as we would have hoped. A few years ago, the Work and Pensions Committee looked into what contractors can achieve. We did a major report on how the Department for Work and Pensions commissions employment

programmes and the role of prime contractors. We were encouraged by the international examples. We looked at what had happened in Australia and visited the Netherlands to look at what was being done there. That seemed to show that contractors were able to provide programmes more cheaply, but also to get better results. Professor Finn, who was advising the Committee, found that Australia was achieving, through "contractorisation", an improvement of about 10% in job readiness and people's ability to find placements. In the Netherlands, we were told very strongly that the people who ran these contractor companies were able to specialise provided that they were given enough flexibility in respect of the barriers to employment that there have been and still are.

Looking at the picture overall, I have reached the view that as soon as a person is not working, and we are aware of that, they must be interviewed to find out what the barriers to employment are that they face and start to tackle them. If somebody has basic skills problems, we need to get on to that at an early stage and tackle it—and equally, if somebody needs child care or has a problem with addiction. These are all areas where action is required. In relation to the work capability assessment for incapacity benefit, a lot of people have not been seen for many years, and the on-flow that has been examined so far seems to suggest that many of them are capable of doing some kinds of work, but not necessarily all kinds. Those people need considerable help.

If we are to help people who have the classic problems suffered by those on incapacity benefit—musculoskeletal problems such as back injuries, and mental health problems such as stress, and worse—it is very important to get in with an early intervention. More can be done by employers, the NHS and the system as a whole—including, perhaps, the companies that provide insurance for people who are unable to work—in getting together to see whether they can do more to get this help in quickly. It is not acceptable that somebody of working age who has a back injury and needs physiotherapy has to wait 10 weeks for an appointment whereas if they were seen quickly they could get back to work. I ask the Minister whether it is possible to have liaison and discussion with the NHS, employers and insurance companies to try to do better in getting involved more quickly and stopping some of these conditions becoming chronic in the first place. With back problems, that means physiotherapy; with mental health problems, it may mean talking therapies as well as the drug treatments for depression of the sort that are available these days.

Yesterday, I talked to people at the National Ankylosing Spondylitis Society, who said that all too often they have to wait a long time for the treatment they need to deal with their condition. For people of working age, we need to prioritise their health and have something amounting to a national occupational health approach so that we do not end up with a lot of people who become chronically ill. It is well known that someone who has been out of work with a disability for two years is very unlikely to work again.

I welcome the Work programme. The criticisms that have been made of it are a little unfair, if I may say so. The fact is that the economy has been put into a terrible situation by the previous Government. The future jobs fund is a scheme that has only just started, and it is not as though it is not being replaced by something that is probably better—namely, more apprenticeships. It is a bit disingenuous to describe it as a jobs fund, as though these are permanent jobs, when they are really job placements for six months.

Tom Blenkinsop: Speaking of disingenuous elements, the Government's amendment refers to

"policies to stimulate private sector employment by reversing the damaging increase planned for employer national insurance contributions",

which implies that that was a jobs tax. Is it not really the case, particularly for the north-east, as I have been advised by the North East chamber of commerce and the Federation of Small Businesses in the north-east, that the real jobs tax is the VAT increase that the Government have proposed?

Mr Heald: If the hon. Gentleman thinks about when we got 2.5 million extra jobs in our economy in a three-year period, he will recall that it was under the Conservatives in the 1980s. That was done by allowing businesses to have lower taxes and to be less regulated—by really giving them a boost. We need to do something similar to help business and to get off its back. We also need to provide the technical training that Sir John Rose talks about, together with a scheme that helps the workless—the people who have been left behind in the plethora of employment schemes that we have had for the past 30 years.

Tom Blenkinsop: What about 1979?

Mr Heald: If the hon. Gentleman looks back at the mess that this country was in when the Conservatives came into office in 1979 after the Labour years, he will see that it was not an easy period to be in government. He must accept, surely, that if we can improve on what has gone before, that is the best thing to do. We need to listen to somebody who is a thoughtful CEO saying that we need better technical training; to look at the idea of apprenticeships as good-quality training, which we all agree about really; to try to have internships so that our graduates are job-ready; and, on top of that, to have a Work programme that does not leave anyone behind, that is streamlined, and that involves contractors sooner rather than later. Surely that is the wisdom of our time.

Tom Blenkinsop: Interestingly, the majority of men and women on site in the steel and chemical industries in my area are in either their late teens or early 20s, or in their late 40s or early 50s, which suggests an 18-year period when apprentices were not taken on.

Mr Heald: The hon. Gentleman is right that in periods of our history, both sides of industry have not distinguished themselves in supporting apprenticeships adequately. I do not know whether he agrees with that, but now is the time to do the right thing, and to support apprenticeships and technical education. We need a scheme that works on the Work programme side, and hopefully this country can come roaring back from the mess it was left in by the Labour Government.

3.28 pm

Gordon Banks (Ochil and South Perthshire) (Lab): It is a pleasure to follow the contribution of the hon. Member for North East Hertfordshire (Mr Heald), but

[Gordon Banks]

I want to talk about the construction industry and my constituency, and I am sure we will come across other related matters. I refer the House to my declaration in the Register of Members' Financial Interests.

I was involved in the construction industry for more than 30 years before I was elected to the House in 2005. Frankly, I am shocked at what has happened in the industry in the past few years, and I greatly fear what will hit us in the near future. I started my own business in 1986, so I have weathered a few storms, but I fear that the future has something terrible in store for the industry. If it is bad for the industry, it is bad for jobs.

In the past few years, the construction and housing sectors have contracted massively. With that contraction in activity has come a contraction in the number of jobs. When the banks went into meltdown, the previous Government reacted appropriately. There was action to protect investments and to support failing banks, and genuine attempts to get money back into the marketplace. Although that proved a little more difficult than I would have hoped, that positive action saved jobs. However, now we risk all that effort.

It was necessary for the public sector to step in when the private sector failed—let us not forget that that is what happened. My background is in the private sector, and I am proud of the UK's private sector—or at least part of it. It should be a driver of growth and the major contributor to addressing our budget deficit, but how will that happen when the private sector remains very fragile and the public sector is faced with ill-thought-out, ideological cuts?

The construction sector is a good example of that. The industry has some 250,000 businesses and employs more than 2 million people in the UK, with turnover of about £6 billion. We had the second largest output in the European Union—I do not know whether we still do—and we all know the role that the industry has played in the UK's progress in recent years. It is a private sector enterprise, but its clients are both public and private sector. Businesses generally need the construction sector to expand, as does the state, when they are intent on improving the quality of life of citizens.

There are vital sub-sets in the construction sector. Construction product companies have annual turnover of more than £40 billion and employ more than 650,000 people in 30,000 companies. In Scotland, almost 12% of the work force are employed in construction or in some form of building-related activity, whether as a joiner on site, a planner in a local authority office or a lorry driver delivering materials to a building site. Sadly, that is changing for the worse. All those jobs are under threat.

Mr Graham Stuart: One great mystery of the past 13 years is that there were record levels of immigration under the Labour Government and record lows in the number of houses built, particularly affordable housing units. I do not know the explanation for that, but I would be interested hear whether the hon. Gentleman, with his background in construction, has any thoughts on how we can increase the number of housing units in this country, so that we can tackle homelessness and boost the construction industry, jobs and employment.

Gordon Banks: I will address that in greater depth and detail in a few minutes, but the right solution is a joint public and private sector solution. The solution cannot be driven by one of those alone—it is not an either/or question.

The housing sector enjoyed some useful periods in recent years, prior to the recession. When it delivered large profits for many developers, it also delivered jobs in our economy. The sector was a driver for the economy, but the current situation in the private house building sector is absolutely desperate. There were 40,000 home loans in April 2010, which, if projected over a year, would be fewer than half a million. If that is the annual figure, it will be the lowest since 1974, yet the need for housing is ever growing, as the hon. Member for Beverley and Holderness (Mr Stuart) pointed out. Our desire to own our properties continues to grow, and we should encourage such aspirations.

To generate jobs in the housing construction sector, we need to increase the number of higher loan-to-value products, and reduce the 25%, 30% and 35% deposit demands from the mortgage industry. The mortgage products that were on offer before the recession were unsustainable, and we had the ridiculous situation of lenders lending 125% of the value of properties. Everybody has responsibility for that—the Government, lenders and borrowers—but I am concerned that the cuts in interest rates in the past few years have not been passed on to mortgage deals. That is stifling the market, and therefore costing jobs. Although interest rates are an issue, the loan-to-value ratio is the main problem.

Catherine McKinnell: Does my hon. Friend share the concern that a constituent of mine raised with me this weekend? He and other young people he knows who work in the public sector in Newcastle are all in fear of losing their jobs. They had planned to move house, but they have put that on hold because of that fear, and they know that many of their contemporaries are in the same situation. There is a real worry about great damage being caused to the housing market, particularly in my region.

Gordon Banks: That is very well put. It is a real problem and so, too, more broadly, is the effect of public sector cuts on the private sector. That will stop the private sector growing and providing the jobs and profits that the Conservatives expect it to create to get us out of the mess we are in.

We need to get to a sustainable level of 90% loan-to-value mortgages to generate jobs in the sector, but it does not stop there. If someone buys a new car they put fuel in it, and because of efficiencies it is probably a lot less than they had to put in their old car. However, people who buy a home spend additional money. Ask any retailer and they will say that they need a buoyant housing market, both new and second-hand, for the high street to be a busy place. Home buyers purchase carpets, furniture, white goods, televisions, curtains and more. This is therefore the one industry that directly feeds the spending of considerable sums of money into other sectors.

In 2007 there were 357,800 first-time buyer mortgages, and the Halifax produced data that suggested that the cost of furnishing and equipping a new property is about £6,000, so that equates to about £2.14 billion of

high street spend from first-time buyers alone. If we multiply the original figure by the number of people in each property purchase chain, we see that the true amount of high street spend might be double or three times more. In short, support for jobs in the housing sector is delivered by the availability of appropriately priced mortgages, but that is lacking today.

Turning from housing to construction, I supported the last Government's commitment to bring forward capital spending projects, and I should pay tribute to the councils in my constituency and the last Labour Scottish Executive, who delivered six new secondary schools in recent years, and the health board, which has delivered a new community hospital. I am also grateful for the introduction of rail services to Alloa and the new Clackmannanshire bridge.

All those projects were started under Labour. They are now finished, and because of the failure of the Scottish National party's Scottish Futures Trust there is nothing coming along behind them to match the brick-for-brick commitment we have been given. We heard in the House just this week about the Government's plans for the Building Schools for the Future programme, damaging our infrastructure, not giving children the best possible start and throwing people on to the scrap heap in what might be called the triple whammy. We need to invest in our infrastructure. Doing so improves the infrastructure, improves lives and creates jobs.

We also need an active home improvement market, but I fear that the recent announcement of the 20% VAT rate will decapitate what was beginning to look like a possible lifeline to the industry. The loss of 1.3 million jobs will not help either, but let me first deal with the VAT effect. Many Conservative Members derided the effectiveness of the last Government's reduction of the VAT rate to 15%. They said it would be ineffective, but we all know that that was not the case.

There are real worries in the building industry about the new VAT rise. It will harm in many ways. First, it will chase people away from embarking on improvements, and in doing so it will cost revenue and jobs—and if it costs jobs, it will cost even more revenue. It will encourage a black market as people turn to cash-in-hand jobs to save that 20%, and what will that do? It will lead to a loss of revenue. Cash-strapped home owners will become increasingly vulnerable, and the £170 million that was estimated to be taken on the housing sector black market this year looks set to grow.

Ian Lucas (Wrexham) (Lab): I am listening very closely to what my hon. Friend is saying. As a former Minister with responsibility for construction, I think the VAT increase on environmental improvements to homes is a major error, because it disincentivises people from making homes more energy-efficient. I cannot see a more short-sighted measure in the Budget.

Gordon Banks: My hon. Friend is right, and it is not just about the environmental or green side; it is also about quality of life. The quality of a property has a knock-on effect on children's ability to grow up and learn, so there will be a negative effect all round. I am not sure that he, as a former Minister with responsibility for construction, will enjoy what I am about to say, but I think there is a strong argument for reducing VAT to stimulate the economy, just as the last Government did, but in a more targeted way. Reducing VAT to 5% on the labour element of home maintenance repair and improvement work could, as argued by Experian, create an extra 55,000 jobs this year alone. What the Government are doing will cost jobs. The views we have heard today about job growth are not shared by the Federation of Master Builders, which argues that 7,500 jobs will be lost in small and medium-sized enterprises in the construction sector this year alone as a result of the VAT increase. When the multiplier effect is taken into account, the effect on small and medium-sized construction companies in this year alone could be the loss of between 23,000 and 25,000 jobs.

There is another cause for concern. If firms go bust, close down and lay off workers, they will be in no position to train apprentices for the future.

Jim Shannon (Strangford) (DUP): The hon. Gentleman mentions the construction industry, which I think is relevant to all hon. Members in the Chamber; it is certainly relevant to the area I represent. Does he agree that the Government should try in particular to help those aged 50 and over who have worked in the construction industry all their lives? They cannot get jobs anywhere else and find it hard to retrain.

Gordon Banks: I do agree, but I would much rather see them retained in the construction sector. There is a strong argument that the construction sector can drive economic growth in this country, and I would like the Government to take that forward.

As I said earlier when I intervened on my right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper), if we do not deliver skills learning for apprentices today, we will have a skills shortage in future and that will have an economic impact. That should not be tolerated, but we have to understand that struggling businesses do not take on apprentices; they survive day to day and fight day to day. The last thing they are thinking about is having an apprentice, because they are thinking about getting through the day without the bank phoning them.

When the construction industry loses jobs, there is a lack of focus on the resulting suffering because it does not affect 2,000 or 3,000 people all under one roof. They are in different places around the United Kingdom, and when jobs are lost, it is 20 jobs here and 40, 50 or 100 there. That makes it very difficult for the construction sector to show the impact of policies and to get through to the Government and people in general the impact of decisions. It is very easy to see what is happening when a car plant or a big manufacturing location is threatened with closure, but it is very difficult to take on board everything that is happening in the construction sector because it is so disparate and is spread throughout the UK.

Before I discuss my constituency, I make one last plea for the construction sector. It is vital for training, revenue and business growth, and it is vital for improving public services, which I want to improve. It is also vital for improving the quality of life of UK citizens. I strongly urge the Government to recognise that and to invest in it accordingly.

My constituency is quite large and varied, with a rural aspect to much of it. We have industry, of which we are very proud. Some of it is excellent. There are

[Gordon Banks]

businesses such as Highland Spring, Vector Aerospace, Owens-Illinois and Diageo, and I want to focus on two of those, their interdependence and the impact of the VAT increase. Diageo has long had an interest and a presence in Clackmannanshire. The county is very proud of that business, as it is of Owens-Illinois—or the Glassworks as it is called locally. The interdependence is that one of the companies produces the packaging for the product that the other produces.

My concern is that the VAT increase will impact negatively on product sales, which will impact negatively on the requirement for packaging. If that occurs, the safety valve will be jobs. It is not rocket science—it is simple and straightforward. In my opinion, and as we heard yesterday, the recent reduction in the budget deficit is a result of increased tax take arising from businesses getting back on their feet, from people being in work and from a return to growth. The VAT increase puts all that at risk. It is regressive, hits the poorest hardest and will result in job losses. It will not deliver the revenue necessary for the Treasury, and it could have a negative effect that might deliver a downward spiral. The VAT increase coupled with the axing of the future jobs fund makes the outlook anything but secure.

We have discussed today why the future jobs fund has been cut, and I am afraid that I and my Opposition colleagues do not understand why it has been cut. We also do not understand why the Prime Minister, who thinks it is a good idea, has decided to cut it. It is interesting to see some Liberal Democrats in the House this afternoon, because they think that the future jobs fund is a good thing, too, but have played their part in cutting it. In fact, the Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb), said:

"We have no plans to change or reduce existing government commitments to the Future Jobs Fund. We believe that more help is needed for young people, not less".

In Scotland, some 11,000 young people will be discarded as a result of the Prime Minister and the Lib Dems going back on their word. Much more can be said about the Government's support for jobs—or lack of it—but I will end by saying this. The VAT increase will cost jobs, axing the future jobs fund will cost jobs, and failing to recognise the importance of the construction and housing sectors will cost jobs. They will all cost revenue, ruin lives and put the recovery at risk. None of them are a chance worth taking.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. Before I call the next speaker, I would appreciate it if Members could try to aim for 11-minute speeches. If they do not, not everybody will get in. I did not want to put the clock on, but I am being tempted. I understand that Members have a lot to say, but I ask them not to forget, if they take interventions, that if they can stick to around 11 minutes I will be much happier.

3.48 pm

Elizabeth Truss (South West Norfolk) (Con): We have heard a lot of talk from the other side of the House about jobs and growth, but over the past 13 years we have seen illusory growth and illusory jobs that have been fuelled by public spending and paid for by unsustainable debt. Let me give an example: the National Audit Office published a report that suggested that between 2002 and 2007 the jobs created by regional development agencies cost £60,000 each. For every new job, the Government effectively spent £60,000. Such a level of public sector job creation is not the way that we will increase jobs in the long term.

There has also been a lot of talk about evidence, but if we consider the evidence of what creates growth and what creates jobs—I have looked at some international Treasury studies on this—we see that the most productive area of public spending as regards growth is infrastructure spending and the second most productive in terms of growth and jobs is education spending. That is where the Government should be focused and that is where we are rightly focused.

Mr Lammy: In the light of what the hon. Lady has just said, which was put very well, will she make representations to the Government about the closure of the Building Schools for the Future programme, which is at the centre of both education and infrastructure in this country?

Elizabeth Truss: The evidence suggests that the most productive education spending is that on the quality of teaching, not on the quality of the buildings. I am happy to discuss that further with the right hon. Gentleman, and I will do so by letter if he likes.

Moving on to the reports that demonstrate that infrastructure spending is the most effective way to spend, it is not just those in ivory towers who think that—indeed, the Library agrees—but local businesses in my constituency do, too. I asked them to give me their priorities for what the Government should do for South West Norfolk businesses. They said, "No. 1: improve the road and rail links. No. 2: get the performance up in our schools, so that we have the skills that we need locally." That is what people say.

Gavin Shuker (Luton South) (Lab/Co-op): In the light of what the hon. Lady has just said, will she say a few words about the cancellation of the A14 project, which is vital to her region and my region in the east of England?

Elizabeth Truss: I am in the process of making representations on the A11, which is a crucial project that would open up businesses in Norfolk. We should assess such projects—I shall come to this later in my speech—on the basis of economic return. We have a very small pot now, owing to what has happened and the money that has been spent in the past few years, and we need to use that pot wisely. I should like to see the evidence on those various roads and consider the highest rates of return. That is my answer to the hon. Gentleman's point.

Given that businesses would like growth to be created in that way, so that they can create jobs, where have the last Government spent the money? Have they spent it on infrastructure? The World Economic Forum report suggests that Britain is sixth in terms of gross domestic product. Where do hon. Members think that we are on the infrastructure table after 13 years of Labour

Government? We are thirty-fourth. That record has created the problems that we see: new jobs are not being created in the private sector because the money was not spent. Not only did the last Government fail to fix the roof while the sun was shining, they failed to fix the roads while the sun was shining, and we are left with that legacy. We are left with a difficult position. Not only are there potholes in our roads, but there is a huge hole in our budget. We must ensure that we spend on things that provide value for money.

Gordon Banks: Is the hon. Lady carrying on from where I left off and advocating significant investment in the construction industry? A simple yes or no would be good.

Elizabeth Truss: Such decisions should be based on the economic return, as I have said. That is how we should consider spending our money. The problem with the previous Government is that the money has gone on politically motivated white elephants, to gain good results in Government elections or to placate interest groups. We have not seen value for money.

Mr Edward Timpson (Crewe and Nantwich) (Con): Is one of the other areas on which the previous Government wasted a huge amount of public money the most convoluted procurement processes for the spending of taxpayers' money? That money should have been spent on the infrastructure that my hon. Friend has spoken about so well.

Elizabeth Truss: My hon. Friend is absolutely right. Not only was the analysis of where the money was spent incorrect, but the processes by which it was spent were cumbersome. I believe that the Building Schools for the Future process had nine stages. That has taken a lot of money that could have been used to create real jobs in our economy, by improving our infrastructure and education. I completely agree.

We have heard a lot of arguments from Opposition Members about how people would support a particular fund or a particular level of spending, but we have not seen a cost-benefit analysis. We have limited funds. We need to prove that those funds are better used on one project, such as the future jobs fund, or another project, whether that is the A14 or the A11. We have not seen such analysis. What we have heard from Opposition Members is a number of anecdotes. I do not think that anecdote is a good way to conduct government. We need to conduct government on the basis of evidence.

John Howell: Would my hon. Friend put the £13 billion spent on regional development agencies since 1999 in the same category as the white elephants that she has been describing?

Elizabeth Truss: I would. That is not to say that everything spent by RDAs was wrong. There have been many good projects. But the way it was spent and prioritised did not use Government money to its best effect. That is my point. That is why I want to see the Government assess projects on the basis of economic return, as I mentioned earlier to the hon. Member for Luton South (Gavin Shuker). I want the way in which the projects are assessed to be fully open and transparent, so that we can have a proper debate about the best way to spend our limited money.

It will be growth on the basis of real jobs and on the basis of decent infrastructure, good railways and roads, that will seal our economic future in the right direction, not pursuing the initiatives and schemes that we have seen time and again during the past 13 years, frittering away valuable money. It is our money, not the Government's money. Ultimately, it is the money of all those in my constituency who pay taxes.

Alison McGovern: It is interesting to hear how fearful the hon. Lady is about incorrect spending on infrastructure projects and what she said about how the Labour Government wasted money. My region has seen great benefits from the improved infrastructure on the west coast main line, and we were looking forward to reconnecting the whole of our region, led by the RDA, with the Manchester rail hub. Will she call on Government Front-Bench Members to commit to those infrastructure projects? Will she acknowledge to the House that the money that was spent on infrastructure by the Labour Government was extremely helpful in resetting our national economy?

Elizabeth Truss: I am afraid that the hon. Lady's intervention illustrates the problem with Labour Members. They present schemes, but there is no ex-post or ex-ante analysis of their economic benefits. The hon. Lady asks a question, but does not produce the evidence. Again, I would be happy to discuss that with her later, but she did not present the evidence. We must have debate. Not only are we talking about what we are putting in, we are also talking about the benefits that we get out. We need an economic policy that is based on the costs and benefits and that talks about the important areas of spending. I am pleased that the Chancellor in his Budget decided not to reduce capital spending further, but to make sure that it will go ahead so as to have a proper basis for economic growth and jobs in the future. That is the important area that we need to be looking at.

3.58 pm

Catherine McKinnell (Newcastle upon Tyne North) (Lab): I am delighted to follow the interesting speech of the hon. Member for South West Norfolk (Elizabeth Truss) on the need for an economic benefit analysis of every decision that is taken by Government. That is one of the factors that led to the devastation of many of the regions, because some things cannot be measured in pure economic benefit alone. There is also the social value of projects. That is why I want to address the House today on the disproportionate and unfair impact of Government spending cuts on the north-east of England—and, I am sure, on many other regions, but I speak for my own today.

In Newcastle upon Tyne North, we have many public sector workers, but we also have several major private employers, including Sage, Nestlé and Sanofi Aventis. Projects in recent years, such as Newcastle airport industrial estate, Newcastle Great Park developments and the development of many retail outlets, have diversified the local jobs market in Newcastle. None the less, many of my constituents are long-serving and dedicated public servants who stand to be directly and swiftly hit by the Lib-Con austerity drive.

[Catherine McKinnell]

In Newcastle upon Tyne North, the current situation has come as no surprise, because during the election campaign the now Prime Minister publicly identified the north-east as a region where spending was unsustainable and where public sector employment was simply too high. The first wave of public cuts were announced on 24 May, and now we have the ideologically motivated cuts laid down in the Budget.

Jim Shannon: It was not only Newcastle that was mentioned; it was also Northern Ireland. The Prime Minister was quick off the mark there. However, the level of public sector economic activity in Northern Ireland is almost 27%—5.2% above the UK average—and the dependence on public sector jobs is perhaps greater there than in other parts of the UK. I say to Government Members that it is important that the private sector is increased before anything happens to the public sector. I want everyone to be aware that the impact will be great, as the hon. Lady has said.

Catherine McKinnell: I thank the hon. Gentleman for his intervention. He is absolutely correct that those two regions were identified by the Prime Minister as specific targets for cuts. Recent announcements have made it clear that the future is particularly distressing for regions such as mine and that of the hon. Gentleman.

Mr Timpson: The hon. Lady suggests that the cuts announced in the Budget are ideologically driven, but does she accept that she stood on a manifesto promise at the last election to implement a 20% cut in departmental spending and a 50% cut in capital spending?

Catherine McKinnell: I thank the hon. Gentleman for highlighting the fact that the Labour Government stood on a manifesto accepting that cuts were necessary to reduce the deficit. That seems to be forgotten on many occasions when I and my hon. Friends are accused of not having announced any cuts.

Gordon Banks: Does my hon. Friend agree that we have seen a significant driver coming through—the 11% increase in the tax take this April-May compared with April-May last year—because of the growth in the economy? Does she also agree that growth is the best way to get the country out of recession and into growth, and to cut the deficit?

Catherine McKinnell: Absolutely, and I thank my hon. Friend for his intervention. It is notable that, since the emergency Budget that we debated yesterday was announced, the growth forecasts have reduced as a result of that Budget.

I return to the subject that I want to address today: the impact of the Budget on the north-east. Approximately 266,000 people in the north-east are employed as public servants—almost one in three workers—and many of those individuals, and the families they support, live in Newcastle and the surrounding areas. Large-scale redundancies in the public sector, which are now certain, will be disastrous for the city's economy, which is, in turn, an engine for regional growth. The likely result will be lasting unemployment and an enforced exodus of talented professionals from what, during the past decade, has been a rapidly emerging region.

That is not the full picture, however. The public sector is so economically vital that it is not hard to imagine the impact of large-scale redundancies on private firms in the region. Simply throwing public sector workers out of their jobs will mean not only a loss of direct employment, but the devastation of private firms. More than in other areas of the country, such firms in my region depend upon revenue from public sector organisations.

That is directly linked to my next point, which is my deeply held opposition to the abolition of my region's very popular and highly respected development agency, One NorthEast, which is located in my constituency on Newburn Riverside park. Owing to massive cuts in Government spending on regional development, combined with the Liberal-Conservative pledge to transfer RDAs' functions to local authorities, the Government have announced, after damaging indecision and backtracking, that One NorthEast is to be abolished. Its closure will remove a vital local driver for recovery and eliminate a key means of building a stronger local private economy.

In March, the National Audit Office published its report on RDAs and concluded that £3.30 had been generated for every pound of Government funding given to them. A year ago, another investigation into RDA effectiveness, this time carried out by PricewaterhouseCoopers, showed that for every public pound invested there had been a return of £4.50 to the private sector. The ill-thought-out shunting and transfer of some of the RDAs' roles—I presume not all of them—to under-resourced local authorities will be totally unworkable.

Nadhim Zahawi: The hon. Lady cites the PricewaterhouseCoopers report, but the Institute of Directors also produced a report on the RDAs, which showed that only 18% of directors thought that they made a contribution, and 60% thought that development would have taken place in the regions without the RDAs being in place. To cite selectively from PricewaterhouseCoopers is slightly misleading.

Catherine McKinnell: I thank the hon. Gentleman for his intervention, because it highlights my point that these issues cannot be examined as a whole across the UK. The situation in each region is incredibly different and unique, which is why the RDAs were so successful in particular parts of the country and why the removal of the north-east's RDA, which is successful and which business leaders across the region accept as a major driving force in the private economy, is a travesty.

Alison McGovern: My hon. Friend makes a very important point. Does she agree that regions are different, and that the previous Government used the movement of public sector jobs to regions such as the north-east and the north-west partly to save costs to the public purse?

Catherine McKinnell: Absolutely, and my hon. Friend rightly draws attention to some of the worrying consequences that will come out of the Budget. It will drive up unemployment and difficulties and increase public spending, particularly in the regions.

Gavin Shuker: Within the context of the debate about the evidence basis for RDAs and the benefit that they give, does my hon. Friend agree that financial information about the amount of money that goes in and comes out of the public purse is a much better guide than ideological points about how people feel about regional development agencies?

Catherine McKinnell: I absolutely agree, and my hon. Friend makes his point very well indeed.

A large number of my constituents lack any formal educational qualifications. Such individuals, should they be already unemployed or, as is likely to happen in my region, should they be made redundant, will be hugely affected by the cuts announced to the DWP's job creation and training schemes, which have been widely debated today. They will no longer have the necessary help to prepare themselves to take advantage of new opportunities arising from the eventual recovery, and that is especially concerning in relation to youth unemployment. The future jobs fund has been abandoned, and the £1,000 incentive for businesses to employ a person who has been unemployed for six months or more has been scrapped. Extended periods of unemployment and a lack of appropriate training mean that those vulnerable groups will be dangerously ill equipped to enter the future jobs market. The decision to ask the Department for Education to make huge cuts is also disproportionately damaging. It is clear that, because only 10,000 of the promised 20,000 extra university places are now available, access to higher education for state school pupils will inevitably be restricted.

Jo Swinson (East Dunbartonshire) (LD): I am listening to the hon. Lady with great interest. She is clearly making a passionate case, expressing her genuine concerns about the cuts, but she mentioned ideological cuts. Does she really have no ideological problem with the debt interest that this county pays out every year potentially rising to as much as £70 billion? That would mean £70 billion not spent on public services and a debt for the next generation in the north-east and elsewhere to repay.

Catherine McKinnell: I do not have an ideological concern about the debt that is the current deficit, although I share the concern of all Labour Members that the deficit needs to be reduced. Fundamentally, however, it needs to be reduced in a way that does not throw thousands or millions of people on to the scrap heap, in the way that they were left there in the 1980s. I know that this is not taken very seriously by Government Members, but generations of people were left on the scrap heap.

Mr David Anderson (Blaydon) (Lab): Will my hon. Friend give way on that point?

Catherine McKinnell: I think I need to make progress.

Finally, some additional cuts have been announced and, although they have perhaps not been talked about today, I believe that they will fundamentally affect future jobs and the ability of people in the north-east to take them up. I refer to the cuts to child tax credits. Although the Liberal-Conservative Government have announced a £150 increase in the per-child element of child tax credits, that is nothing but a fig leaf for the abolition not only of the Sure Start maternity grant, worth £500, but of the baby addition to the child tax credit and the health in pregnancy grant, as well as for the decision to reject Labour's proposals for a £4 a week supplement—a toddler tax—for each child.

For people on low incomes, tax credits are fundamental to empowering families to support their children and ensure that they get the best start in life, thereby breaking the cycles of deprivation that we see in so many parts of the country, particularly the north-east. As the mother of two small children, I know from experience how vital financial help can be. To be honest, I have been stunned by the callous manner in which that help has simply been abandoned by the Liberal-Conservative Government. Some £3 billion-worth of cuts have been made to support for families. Such decisions will be devastating for parents, preventing them from getting out to work or creating either a work environment or the capacity to work in their households, thereby breaking the cycle of deprivation that can so often take hold in workless households.

Joined to the unfair rise in VAT—a tax that punishes the poor—those cuts will have an impact on unemployment and child poverty in my region, thereby causing further unemployment in the long term. The national economy remains weak, especially in areas of the country such as Newcastle, where large numbers of children, unemployed people and low-income families are already struggling and will struggle more under this Budget. They are the people who must be protected and not punished by the Government's policies during this difficult time.

Several hon. Members *rose—*

Mr Deputy Speaker: Order. Before I call the next speaker, I remind the House that I asked hon. Members to limit the amount of time they took. Can we try to stick to 10 minutes? Hon. Members should please not take as many interventions, because otherwise people will miss out. I did not want to turn the clock on, but I am getting more tempted by the minute.

4.14 pm

Esther McVey (Wirral West) (Con): I rise to speak in this debate concerned about youth unemployment and job prospects, and I do so as we discover that the number of 18 to 24-year-olds not in employment, education or training has reached an all-time high of 837,000. That is 17.6% of our 18 to 24-year-olds neither earning nor learning.

The previous Government did not meet their apprenticeship targets, but they did leave us with a record deficit. That is a disastrous combination for the next Government not only to pick up but to clear up. We have unfulfilled targets, sluggish economic growth and a record deficit—a triangular tragedy for youth and unemployment. In my patch of Wirral West, we have some of the worst unemployment rates for 16 to 24-year-olds in the north-west. We were ranked seventh worst of the 39 local authorities in September 2009. The number of my constituents claiming jobseeker's allowance has risen in the last year, and we are also below the national average for 16 and 17-year-olds in education and work-based learning. It is particularly worrying that those who are not in education or employment now will

[Esther McVey]

continue along that path, and it is vital that the Government put every effort into getting young people into work and training as soon as possible after they leave the compulsory education system.

The cost to the economy of youth unemployment is not insignificant. According to estimates, each of these so-called NEETs who drop out of school at 16 will cost the taxpayer almost £97,000 over their lifetime, when their unemployment benefits and their inability to pay taxes are taken into account. We have heard a lot about the economy today, and about what unemployment costs the country, but I want to look beyond the economics of the situation to the well-being of each individual, and to their physical and mental health, their self-esteem and their morale. To stare into an unknown expanse of time, not knowing how it will be filled or paid for, erodes the soul and destroys the spirit. That suffering cannot be quantified, but it seeps into the common unconscious of our nation.

We already have some of the highest levels of youth unemployment in Europe, and we need to be creative about how we are going to get out of that situation. We need to think of a new way forward. I like to think that there is light at the end of the tunnel, and I would like to bring to the attention of the House the Wirral Apprentice programme, which is leading the way in the apprenticeships field. It has created more than 100 new opportunities for young people by offering private sector organisations an 18-month wage subsidy for a minimum two-year apprenticeship. Working with the National Apprenticeship Service, the Wirral Apprentice scheme is delivered by Wirral council's children and young people's department and provides a dedicated member of staff to support each business that takes part. It has been hugely successful, and it is now in its second year.

The Wirral Apprentice scheme is heavily oversubscribed, however. Last year, more than 1,000 people submitted 3,117 applications but fewer than 150 businesses took part. It does not take a genius to see that many people will be left without an apprenticeship. The scheme is oversubscribed and under-resourced. Such oversubscription is not specific to Wirral or the north-west; it is to be found throughout the whole country, and we need to look at what we are going to do about it.

Alison McGovern: As a Wirral MP, I totally back what the hon. Lady says about Wirral Apprentice—it is a cracking scheme—but how does she think her Government's cuts to local authorities will help Wirral to keep that fantastic scheme going?

Esther McVey: The Government are planning to get best value for money. They want to increase the apprenticeship scheme across the country by 50,000, and they are planning to put a significant amount of money into it. That is what we need to do. We need to look at places where the apprenticeship scheme is working. As I have said, however, the scheme is oversubscribed and under-resourced and we need to look at that as well. Perhaps the hon. Lady and I can do that together with the Government. The scheme is working, but we need to expand it so that more people in Wirral, the north-west and the rest of the country can be fulfilled.

As the Minister of State, Department for Business, Innovation and Skills, my hon. Friend the Member for South Holland and The Deepings (Mr Hayes) recently said:

> "Demand for apprenticeship places is growing and one of our priorities is to encourage more employers to participate. Apprenticeships are both a route to key competences for employees and a vital way to help employers".

I should like to extend an invitation to the Minister or the Secretary of State to come to Wirral to see how the scheme is working, and also to use what limited funds we have put aside to extend apprenticeship schemes. We do not need a new generation of our youth not knowing how to fill their time or how to pay their way.

4.19 pm

Mr David Lammy (Tottenham) (Lab): It is a great pleasure to speak from the Back Benches under your chairmanship, Mr Deputy Speaker.

I hope that all of us in the House share a passionate commitment to what we might generally call human dignity. When we think about human dignity and where it comes from, we think of the component of family and love, and of how beneficial education and nurturing are as the centre of that human dignity. I think we would all agree, too, that for very many people purpose in life comes from employment, and in particular from skilled employment. I hope that all of us can agree on that basic principle.

Listening to what has been said this afternoon, I have reflected on my memory of standing at a bus shelter in Tottenham high road as an 18-year-old, wearing a suit a little cheaper than the one that I am wearing today and with a big Afro—looking a bit like the Michael Jackson figure before all the plastic surgery—and being approached by other people in the neighbourhood who imagined that I was there for one of two reasons: either I was on my way to the local magistrates court, or I was on my way to church. That was the context in which wearing a suit was seen in a community like that, back in the late 1980s and early 1990s. The dignity of work was something not experienced by far too many young people in that community.

In the 1980s, unemployment reached 20% and, in some parts of the community, 40%. When we came to power in 1997, it was at a record 28% in the constituency of Tottenham. Tottenham has the highest unemployment in London, but today the figure stands at just under 11%. This is paradoxical, but I sincerely wish the Government well in ensuring that we do not see another generation of, in particular, young people left floundering, feckless, restless and workless in communities like those that we saw before.

What concerns me about the Government's policy is their ideological commitment to slashing the deficit so quickly. They seem to imagine that it is possible to take £113 billion out of the economy by means of cuts, and that if they cut the public sector, in a short space of time the private sector will move in to provide the necessary jobs. I have seen it done before; it did not work then, and I am not convinced that it will work now. I ask the Government to think again.

Many of us who are in the Chamber must remember the old youth training scheme—the YTS—run by the Manpower Services Commission. I recall that 58% of

those on the scheme left before time, and that 50% of those who stayed ended up with no qualifications and no employment at all. It became a joke scheme, not just in this country but internationally. When I hear about the Work programme that will be presented to the House in a few months' time, it has the imprint of the old YTS scheme. When I am asked to believe passionately in the 50,000 apprenticeships that the Government claim they will provide, I recall that this is the same party that left us with 67,000 apprenticeships in the entire country when they left office last time. We built the number of apprenticeships back up to 250,000, and it was hard because persuading the private sector to offer those apprenticeships took considerable effort.

When the Minister winds up, perhaps she can tell us how many apprenticeships the Government have been able to encourage the private sector to provide since the announcement of the 50,000. By what date will the 50,000 be provided? So far, I have seen only one apprenticeship, and that is the Chief Secretary to the Treasury. I look forward to the numbers that will join him, and to some of my constituents being able to take up these apprenticeships.

There are constituencies where, historically, the private sector has not been present as it has in other areas. My constituency is certainly one of those. Most of my constituents, since the beginning of the welfare state, have been employed in the public and voluntary sectors. That is where they have always looked for employment and I say, with no shame, that because of historic discrimination black and ethnic minority people in this country have always looked to the public sector. Through the race relations legislation in the 1970s, we brought the public sector into the frame to ensure that employment, so they have always looked to the public sector—the very public sector that is now being slashed.

The slashing of the public sector sits alongside the Conservatives' proposals on higher education, which are a double whammy. Higher education is a key sector for economic growth, but it is not ring-fenced or protected. It is outside the commitments that the Government have made on health and schools, and it will see its budget cut by up to 40% in the spending review to come. One part of the coalition is committed to the abolition of fees and the other is probably committed to a marketplace in fees. The likely result is a quagmire, a gap that will not be filled, and the issue will be kicked into the long grass. That means that universities will not get the money and that the expansion we have seen in constituencies such as mine will not continue.

That is the outlook for higher education. We are unlikely to see a growth in apprenticeships—we do not know the time frame or how many are likely to be created. We also see the scrapping of the future jobs fund that was a buffer and an ideological commitment that we must stand by on this side of the House. We borrowed £1 billion to create the future jobs fund, working with the public and voluntary sector, to ensure that we did not see another wasted generation. We believed that that commitment to young people would mean growth in our economy—that it would come good. We believed that because we had seen the evidence, not least from after the war when we built the NHS. We saw the evidence in the new deal that was set up by Roosevelt in much harder times in the US. That was our commitment to young people and, in the Government's first few days in office, it is gone. There will be a reduction in employment in constituencies like mine, and there is a real prospect that the 1980s and 1990s will visit our communities again.

I shall end on a tough point that I believe with conviction. Very sadly, in parts of our communities in London, there are young people who would pick up a knife and who have experienced really chaotic lives. Their parents are the same age as me, and they are precisely the people who were failed previously. That is the social consequence of this ideological mistake that the Government are set on. I ask them to think again.

4.31 pm

Zac Goldsmith (Richmond Park) (Con): I shall keep my speech brief, Mr Deputy Speaker, as instructed.

One key element of our response to the recession and the pressing need to create jobs has to be a recognition of the value of the green economy. I think that more or less all of us now accept that it would be a mistake to try and recreate the conditions that brought us the crisis in the first place, but we have an opportunity to raise from the wreck of an economy built on housing bubbles, uncontrolled public spending and financial services an alternative that is both stable and sustainable.

Whether or not we are concerned about climate change, it is worth recognising that clean technology is an emerging global market that is expected to be worth trillions of dollars in the coming decades. In fact, that market globally is already worth hundreds of billions of dollars. This is a massive opportunity for job creation, by any standards, and Britain should be at the forefront, but unfortunately we have just a 5% stake in those clean companies.

We should be a leader in innovation: we are not, and in the past decade we have seen virtually no sign of a coherent programme. We have seen no real investment in carbon capture and storage—

Mr Anderson: Does the hon. Gentleman recollect the closure in 1986 of this country's coal mining industry by the Conservative Government? That included closing the most advance clean-coal technology site in the world—at Grimethorpe colliery in Barnsley.

Zac Goldsmith: I thank the hon. Gentleman for that intervention. Times change: the case now for clean coal has been renewed on the back of emerging evidence for climate change. If he does not mind, I will not go back 25 years, but I shall continue with a very brief description of what I regard as a huge failure over the past 10 years.

I mentioned carbon capture and storage, but there have been no effective incentives for home owners or organisations in the commercial sector to pursue energy efficiency. There have been virtually no incentives to develop renewable energy: as a result, we have seen virtually no progress over the last 13 years.

The CBI said last year that it is politics and policy, and not the recession, that have prevented green investment in the UK, and it pleaded with the Government to just "get on with it". When Jonathon Porritt stepped down after nine years as the chair of the Sustainable Development Commission he also accused the Government of gross failure. He added, sarcastically, that the UK had become "a world leader in green rhetoric."

[Zac Goldsmith]

We should broaden our economic base to include more green technologies and more engineering and high-value manufacturing. We need to reconfigure our energy systems and find a way to wean ourselves off our dependence on imported hydrocarbons. That dependence is dangerous environmentally, economically and politically. We need to turn Britain into a world leader in green innovation, and we have the chance to do that now. In my view, the existing commitments of the coalition Government will set us absolutely on the right path

Paul King, chief executive of the UK Green Building Council, described the green deal as follows:

"This is a bold and welcome move. The biggest barrier to low carbon refurbishment—the upfront cost—is set to fall. Pay As You Save is a radical scheme, which could"

create

"at least 100,000 new jobs, saving money and conserving energy."

The green deal is just one initiative, as the Chancellor has announced plans to create a green investment bank to facilitate investment from the private sector in new clean-energy technology companies. In addition to that, we have plans to create a number of large-scale marine energy parks. It is extraordinary that this country has 14,000 miles of coastline, yet we have barely begun to tap this extraordinarily valuable resource. We have plans—indeed, we have a commitment—to roll out smart meters and the feed-in tariff. If the example that Germany has shown us is to be believed, the feed-in tariff will lead to a revolution in decentralised energy and to huge job creation.

We have plans to lay out a national recharging network. It will trigger a shift, which we absolutely need, from the traditional, conventional car to electric vehicles and hybrid plug-ins. I realise that time is short, and I could cite endless examples of Government initiatives that will foster the shift we are going to see. At every stage of the shift, we will see huge opportunities for job creation and wealth creation, and we need to tap into those.

In green policies, as in most policies, the most powerful role the state can play is not to dictate or direct, but to empower. Instead of introducing a mind-numbing array of quangos, conflicting initiatives and schemes, all aimed at micro-managing our way towards a low-carbon future, we need to establish a clear framework, set the signals and let the market deliver. In truth, that is our only option. We cannot rely on public money because, as we all know, there is none. Instead, we have to find ways of ensuring that existing money flows in a new direction and if we are successful, we will prosper on the back of an economic recovery that might last. We will have done the right thing and we will be rewarded for having done so.

4.36 pm

Jack Dromey (Birmingham, Erdington) (Lab): Historically, Birmingham and the midlands was the industrial heartland of Britain. In the 1970s, the regional economy outperformed the national average, but in the 1980s Birmingham and the midlands was blitzed by the effects of the Conservative Government and 200,000 people lost their jobs, overwhelmingly in manufacturing. A proud region paid a terrible price. Sadly, decline has continued since, and the area has gone from being at the top of the league to the 7th best region on economic performance. If my region had matched the UK average on output per head, the regional economy would have benefited by an additional £16.5 billion.

The human cost of that long-term decline starting in the 1980s has been immense. Four of the five most deprived wards in Britain are in Birmingham, 10 of the 20 most deprived wards in Britain are in the midlands and the constituency I am proud to represent—Birmingham, Erdington—is the sixth most deprived in Britain. The statistics are stark and so, too, is the appalling human price that I see day in, day out in my constituency. Birmingham and Erdington both believe in a tradition of self-help, but the problems we face are incapable of resolution, other than through the role of good government. The role of government is not to wash its hands of responsibility for the unemployed, because that is a Pontius Pilate approach towards those who need the help of government.

I wish to focus on Advantage West Midlands, which is the most successful regional development agency in Britain; the National Audit Office's recent report gave it a rating of four out of four, and for every £1 of public money spent, the regional economy benefits by £8.14. AWM is a constantly improving RDA with an outstanding track record. Sir Rod Eddington's transport study said that its work on transport infrastructure was the best in Britain. The Treasury review of June 2009 said that AWM was the most cost-effective RDA in Britain. I have seen at first hand the power of its work. I remember that when Rover was saved from closure in 2000, it was thanks to what AWM did in diversifying the supply base that when Rover tragically went under in 2005, tens of thousands of jobs that would have gone in the supply chain in small and medium-sized enterprises were preserved. I, too, experienced that terrible day when 5,000 workers lost their jobs at Longbridge. Advantage West Midlands swung into action immediately, and in nine months, by way of effective programmes, 4,000 of those 5,000 workers had been found alternative employment.

The transformational change has been remarkable. The development of the Longbridge innovation centre and Bournville college has meant 10,000 new jobs and 1,450 new homes. The development of our regional infrastructure, with the New Street Gateway, the single-biggest investment by any regional development agency, involves £100 million of public money, but it levered in £2 billion of private sector investment, with enormous economic benefits, including 10,000 more jobs.

There have also been solutions for business. Since 2002, 5,000 manufacturing companies, overwhelmingly small and medium-sized enterprises, have benefited from the world-class advice of the Manufacturing Advisory Service, adding £150 million to their turnover. It is little wonder, therefore, that the midlands business community strongly supports Advantage West Midlands. The voice of the business community, Business Voice WM, having consulted its members in June, said to the Government, "Do not abolish the regional development agency. An intelligent debate about change and reform? Perhaps. But do not abolish the regional development agency."

John Howell: How much of Advantage West Midland's programme reflects the wishes of local councils, rather than those of central Government?

Jack Dromey: I shall come in a moment to why it is important to have a regional structure by way of co-ordinating local authorities, because sometimes the competing views and demands of local authorities do not necessarily work in the best interests of the regional economy.

I shall provide a practical example of why, right now, we need an effective regional development agency. There are 150,000 people working in the automotive cluster in the midlands—from the major manufacturers such as Jaguar and its plant in my constituency, through the machine tool, logistics and component companies, to the universities and research and development institutes. All work together in an effective cluster, with the regional development agency bringing together local authorities and the private sector to work in partnership and galvanise and consolidate that which is absolutely key to the success of our regional economy.

Damian Collins (Folkestone and Hythe) (Con): Is there not an arbitrary nature to the structure of regional development agencies and the areas they cover? That automotive cluster would not include, for example, Cowley in Oxford, which is part of the south-east region. My constituency is also in that region, which covers an area stretching from Dover up to Oxford and Milton Keynes. Some of the structures do not necessarily fit the economic realities of local areas.

Jack Dromey: I accept that, and I am very familiar with Cowley because I have been to the plant there many times. However, if we want that automotive cluster to succeed, there is a simple reality to acknowledge. I am in discussions right now with Jaguar Land Rover about its decisions for the future. It says that the power and effectiveness of that automotive cluster is absolutely vital for its organisation, and in turn Advantage West Midlands is crucial to the cluster's success.

Why destroy a success story and replace it with—what? I am all in favour of an intelligent debate about, for example, how one might have sub-regional arrangements in the midlands. Crucially, however, if we throw away the advantage of that regional, strategic approach, with it will go the co-ordination and initiative, working with strong business leadership, that has been absolutely key.

We need the Government to clarify their approach to the issue. I hope that during the debate the Minister will respond to that point, because there are mixed messages: on the one hand, the Secretary of State for Business, Innovation and Skills says that he is open-minded about the retention of a strong regional structure if that is the wish of the midlands; on the other hand, the Secretary of State for Communities and Local Government has taken an ideological position, which says, "We will wind up the RDA and not have a strategic approach, come what may." We need clarity. I am in dialogue, right now, with local authorities, with the business community, and with many others who want that intelligent debate on what kind of structure we have for the future. Are the Government open to the retention of a strong regional strategy, which is what the midlands wants?

We have heard it said that according to the Treasury's leaked documents, as yet unpublished, 1.3 million jobs will go, while the hope is to create 2.5 million new jobs. With the greatest respect, if we look at the history of job creation in Britain, believing that, in the current climate, with the savage cuts being made to public investment, 2.5 million jobs are going to flourish in the private sector is as respectable a view as that of the economist in the 1930s who argued that what caused the recession was sunspots that interfered with the mechanisms of the market and the minds of the bankers in the marketplace. The simple reality is that all informed sources, including the CIPD, have said, "There's not a hope in hell."

We look to the Government to respond constructively to the dialogue that we want on the future of Advantage West Midlands. We also want them to think again about some of the decisions that have been made: the abolition of the future jobs fund; the cutting back of the working neighbourhoods fund, with £4 million of cuts in Birmingham, the largest cut anywhere in Britain, despite the deprivation that we face; the cutting back of Connexions, with £2.7 million of cuts in Birmingham, the second largest cut in Britain; and the impact of the jobs tax—the VAT increase.

All this from a marriage of convenience—two parties that have come together. On the one hand, there is a party with a once great progressive tradition, the party of Lloyd George, Beveridge and Keynes; on the other, there is a Conservative party that once had a different tradition, that of Harold Macmillan, who, scarred by the memories of the 1930s, said, "Never again." Sadly, in the 1980s the Conservative party, in the immortal words of Julian Critchley, got taken over by the garagistes, and in the 21st century it has been taken over by the bankers. Those parties are abandoning their own traditions whereby they remember the bitter period of the 1930s and know that if we walk away from the unemployed, this country pays a terrible price. The Con-Dem alliance may do that; this Labour party never will.

4.47 pm

Julian Sturdy (York Outer) (Con): I shall try to be brief, as I have been told, and I will certainly keep my comments shorter than some of the contributions made last night.

I am grateful for the opportunity to contribute to this debate on support for the numerous measures already taken by the new Government to assist the unemployed and encourage the creation of new jobs, particularly in the private sector. Let us be clear: we face an extremely difficult employment situation. The dire economic recession has seen unemployment jump to just under 2.5 million, while the number of inactive people of working age has increased to a record high of 8.2 million. To put it simply, we cannot continue to sustain such economic inactivity.

A new approach is required, and key to any lasting Government support will be the creation of an economic environment in which private enterprise can compete and invest with confidence. I therefore welcome many of the measures in the recent emergency Budget which are designed to do just that. For example, lowering corporation tax to 20% will attract new business investment to the UK while giving us the lowest rate of this form of taxation in the G7. Meanwhile, combining that move with the small business rate relief will benefit more than 500,000 businesses up and down the country. If we are serious about driving down unemployment, we must welcome such moves to drive up private sector competitiveness.

[Julian Sturdy]

In addition, if we are to achieve true economic recovery, we must ensure that those areas of the country whose economies were unbalanced even before the recession receive additional focus and Government support in the recovery. The sad truth is that regional disparities grew under the Labour Government. In my region of Yorkshire and the Humber, workplace-based gross value added per head increased by only 18.5% between 1997 and 2008, compared with a 37% increase in London in the same period. Indeed, all northern cities experienced slower rates of economic growth than the rest of the UK in the past decade. Frankly, if the Labour Government's aim was to support the economies of the north, they failed. In contrast, the new Government have already announced that a new £1 billion regional growth fund will be set up in 2011 to help those areas that will be especially affected by reductions in public spending.

Another unfortunate aspect of Labour's legacy was to leave areas completely dependent on public sector employment. That cannot be allowed to happen again, and I urge the new Government to do all they can to encourage the transition to private sector-led investment and growth locally, regionally and nationally. Empowering local communities will involve empowering individual business owners. By providing small and medium-sized businesses outside London, the south-east and the east of England with tax relief on national insurance contributions, the Government are indeed encouraging small businesses to employ and expand in the next three years, particularly in the neglected areas I discussed.

In addition to providing support to business and encouraging private sector-led employment and growth, it is also necessary for the Government to provide support for those who find themselves unemployed. Measures must be taken to ensure that a negative cycle of dependency does not take hold in the areas that suffer the most unemployment. Support must be targeted and streamlined, because for too long, the previous Government's various employment schemes were overly complicated, frustratingly bureaucratic and woefully inefficient. Owing to the number of schemes, people slipped through the net and were lost in the system or not contacted. The new Government's Work programme needs to be accessible and straightforward, so that anyone who finds themselves unemployed can get the help and advice they need swiftly and effortlessly. Support for the unemployed must be personal, local and flexible, and it must put the individual first.

Launching the Work programme, delivering personalised support to the unemployed, cutting corporation tax and introducing regional growth funds are together the ingredients for a far more business-friendly environment in which our economic recovery can take place. The recovery, however, is far from secure, and it is essential that the Government continue to address unemployment and job creation with the same vigour and determination as they have shown to date. I strongly believe that the initial measures taken by the coalition are setting us on the right course. However, those policies need to be implemented swiftly and reviewed regularly if we are to have progress on the ground.

I urge the Government boldly to push forward on this crucial matter. We have inherited a horrendous financial situation, and only the most robust and ambitious policies will get us back on the road of rising employment, job creation, economic stability and long-term growth.

4.54 pm

Nick Smith (Blaenau Gwent) (Lab): I want to talk about jobs in south Wales, and the future jobs fund in particular. I do not believe the Government's Budget will help boost employment in my constituency and in Wales. Instead, there is a great danger of the Budget reducing growth and increasing unemployment. Jobs are important in Blaenau Gwent. My constituency has the high unemployment rate of almost 12%. We used to rely on coal and steel, but those days are gone; now we need to develop a more balanced economy. We need green jobs, digital jobs and better services. We need to help those who have been unemployed back into work. We need the future jobs fund or a similar employment initiative, and, most importantly, we need it now.

Before I elaborate on my argument, however, I want to talk about an important event that took place in Blaenau Gwent last week. On Monday 28 June we commemorated the 50th anniversary of the Six Bells mining disaster. That commemoration was a tremendous event; thousands were there, including many relatives of the men killed that day. I met a Mrs Evans, a former senior nursing officer of the National Coal Board in Wales, who said that, apart from Aberfan, helping attend to the bodies taken from the pit that night was the worst evening of her career. Wayne Thomas, secretary of the south Wales National Union of Mineworkers told me that the wonderful steel and stone memorial is the biggest mines memorial in the country. I encourage Members to visit the Six Bells memorial, as it is a terrific reminder of the importance of coal and how it has sometimes left a tragic mark on our communities. It is a wonderful, evocative and powerful piece of art, and it is also a reminder that while coal is still part of the south Wales valleys, it will never again be the big employer it once was.

I had hoped that the Minister would talk today about policy plans that I would have found encouraging for Blaenau Gwent, but I have been disappointed by what I have heard. For me, the Government's plans must include those that will deliver the programme. While Ministers have been quick to attack the future jobs fund, many important lessons have been learned from that project. That is certainly the case in Blaenau Gwent: that important initiative has been managed by our borough council and it has led to our streets being cleaner, our environment being cleaned up and our youngsters being kept out of trouble. Furthermore, the local people given work include redundant workers, those who find it hard to keep down a job and young teenage mums and dads. All those are groups that I would hope the Government would want to support back into employment and, in Blaenau Gwent, more than 500 people have, or will have, benefited from this initiative in recent months.

I must also say that I believe the Government have made a big mistake with their austerity Budget. At this difficult time, a better judgment would be to recognise that the best way to boost employment is to grow the economy, not cut it back. In south Wales, it is likely that the Government will find that the private sector is too weak to pick up the slack after Con-Dem cuts in the public sector. In the *Financial Times* last Wednesday it

was reported that the private sector is not ready to employ the hundreds of thousands of public sector workers likely to be laid off as a result of Budget cuts. There was a study of 12 companies employing more than 375,000 people in various sectors, including household names like Morrisons, Jaguar, the Co-op and Arriva, and those companies said they had no plans to grow as the state shrinks.

Several companies have said that the financial situation is still too uncertain to consider recruiting. Experts such as Tim Leunig of the London School of Economics believe the economy is too frail for the private sector to grow and absorb jobs in the way it has in the past. That fatally undermines the Government's argument. Mr Leunig has said:

"If the government thinks the private sector is automatically going to step into the gap left by the public sector, it is sadly mistaken."

While there may be regional growth in the south-east, and the home counties may prosper early as we come out of recession, we need investment in Wales through the Assembly Government and local councils. We do not need a hope-and-a-prayer policy that somehow assumes the private sector will ride to the rescue, as all our experience in recent years has been that that will not happen.

I understand that the Government's programme is not set to start until next summer. Also, it appears to include no guarantees that everyone will get work or training regardless of how hard to help they may be. Given what we know so far, it seems that this is an untested experiment on a large scale and carries considerable risk to the country and constituencies such as mine.

All this compares badly with Labour's employment record. There are about half the number of young people signing on now than in the recessions under the Tories. Long-term youth unemployment is under a third of what it was when Labour came into office. Furthermore, because of Labour's welfare reforms, investment in child care and family-friendly working policies, 365,000 more lone parents are in work now than in 1997. That good and important record will be undermined by the Government's Budget.

Losing the future jobs fund is a mistake. It looks as though it will be followed by another initiative in the medium term, but in the meantime we will lose important momentum and delivery, and hundreds, if not thousands, of people will miss out. The Government should listen now to the agencies that are doing the hard yards on job delivery. The indications are that employment growth in the economy is still in the balance and that there is a real danger of much higher unemployment in the months ahead. I am grateful that the Under-Secretary of State for Wales has agreed to come to Blaenau Gwent in the coming months to talk about employment. That is generous of him, but if he is to make good on the Prime Minister's recent fine words about this fantastic work programme, he has much to deliver on. In the meantime, some very good work and much good will is being squandered.

5.1 pm

Sarah Newton (Truro and Falmouth) (Con): Thank you for letting me join this important debate, Mr Deputy Speaker. I want to pick up where my hon. Friend the Member for North East Hertfordshire (Mr Heald) left off. He talked about the lessons that must be learned from the past regarding welfare-to-work programmes. It is a great pity that Opposition Members will not join the Government parties in what should be one of the most important challenges—uniting to make sure that people in this country get the work and employment they need. Taking the bold and decisive action of creating a single Work programme that will streamline and focus help for all those who need to get into work is essential.

Taking action on employment is about creating a fairer society and social justice. Work is the way out of poverty and dependency, and it helps people to reach their potential. The gaps in our society have grown in the past 13 years, and nowhere more starkly can the consequences be seen than in health inequalities. The Marmot review which was published in February clearly demonstrates the links between the social and economic circumstances of people and their health. Key to closing the gap in average life expectancy is improving people's educational and work opportunities. We need to create an enabling society that maximises individual and community potential. The benefits of reducing health inequalities are economic as well as social. The review states:

"The cost of health inequalities can be measured in human terms, years of life lost and years of active life lost; and in economic terms, by the cost to the economy of additional illness. If everyone in England had the same death rates as the most advantaged, people who are currently dying prematurely as a result of health inequalities would, in total, have enjoyed between 1.3 and 2.5 million extra years of life. They would, in addition, have had a further 2.8 million years free of limiting illness or disability. It is estimated that inequality in illness accounts for productivity losses of £31-33 billion per year, lost taxes and higher welfare payments in the range of £20-32 billion per year, and additional NHS healthcare costs associated with inequality are well in excess of £5.5 billion per year."

The current time of financial austerity is an opportunity—a time to plan to do things differently. The welfare state and the NHS were born in a time of austerity after the war. Today, we need to do the same and to have the same courage and determination to ensure the well-being of future generations.

5.4 pm

Chris Evans (Islwyn) (Lab/Co-op): Thank you, Mr Deputy Speaker, for calling me to speak in this debate, which is important not only for the country but for my constituency. When we face difficult economic times, the primary task of Government is to protect existing jobs and to provide all possible assistance to get people who are out of work back into employment. If not tackled, unemployment can have long-term effects on society. It destroys communities, ruins lives and tears the very heart and fabric of society.

I was brought up in the south Wales valleys and I well remember my first day at secondary school in 1987. I remember a teacher saying to me, "I've one tip for you, boy." I said, "What's that?" He said, "Have no ambition, because nobody from round here ever amounts to anything. If you're lucky, you'll have a job in a factory—if there are any factories left when you leave school—but most probably you'll be signing on." For me, that summed up the attitude of the Tory Government in the 1980s, and I have not come to this place to see that happen ever again.

[Chris Evans]

I must tell the House that it has been only in the past few years that our communities in the valleys have begun to recover, with the confidence that new jobs bring. Without the right Government support to encourage job creation, we risk repeating the mistakes of the past. To ensure we develop the right environment for new jobs to be created, it is vital that we maintain growth.

The Government have been keen to express sympathy for those facing unemployment. For Ministers, describing unemployment as a "tragedy" and mentioning helping the "forgotten millions" of unemployed workers into jobs might come easy, but it is action that counts. In contrast to those sentiments, the Government's main labour market policy so far has been to cut support for unemployed people. The Government claim that the measures they are taking are necessary—after all, their tough words about getting people off benefits and into work will be meaningless if there are no jobs to get people into.

To create real jobs we need real investment across the country. Getting unemployment down requires two things: businesses must offer more jobs and the unemployed must have the necessary skills to enable them to take the new jobs as they become available. That means that the Government must invest in people and create the environment in which the private sector can invest to create jobs. If we cut too quickly, we will leave no room for the Government to work with the private sector and make job creation possible. We need a real partnership between Government and the private sector. That requires the Government to spend money to create jobs. The question is how we can minimise job losses and prevent another lost generation in constituencies such as mine.

The Government believe that if they cut public sector employment and slash departmental spending, the private sector will ride to the rescue and fill the void. They seem to have forgotten, however, that many private sector jobs are dependent on Government contracts. If departmental spending is slashed, those contracts are vulnerable, as are the jobs that depend on them. If we do not think seriously about the scale of cuts, there is a real risk that they will remove vital support for private sector industry and, crucially, for private sector jobs. Equally, however, it is vital that as companies develop, their employees' sets of skills develop, too.

That is where Train to Gain has been so important. Across the country, 1.3 million people go to work every day without the skills that they need to do their jobs well. That affects productivity and limits how successful those employees can be. Often, though, employers are unwilling or unable to provide the extra training needed for their staff to realise their potential. It is only when the Government offer assistance that training opportunities can be realised and employees can fulfil their potential. It is therefore critical to our economic future that we invest in training and upskilling our people. In the US, 80% of people in work have been back in a training situation since leaving school. In Germany and Japan, the figure is 56%, but it is only 30% here. That is the measure of how far we still have to travel to improve training and opportunities for our people.

Train to Gain benefits both employers, by increasing the abilities of their workers, and employees, by giving them the skills they need to succeed. That in turn is good for the whole country and for our economic future. The Welsh Assembly Government—the only Labour-led Administration in the UK—have introduced ProAct, a progresive scheme that offers funding for employee training and a wage subsidy while the training is being undertaken. Companies are eligible for ProAct money only when they are on short-time working and when, without ProAct funding, the company would have to consider redundancies. ProAct not only keeps people employed when they might otherwise be made redundant but gives employees a wider skills base, meaning that companies can use quiet periods to upskill their staff. That is precisely the sort of thing that should be happening across the United Kingdom. It has a positive impact for employers, employees and the wider economy.

In addition, to help employers to keep people in work, the Government also need to help those who are currently out of work. It is particularly important that we get young people who have never been employed into their first jobs. That is why the young person's guarantee and the future jobs fund were so crucial, yet that flagship policy has been scrapped.

The Government claim that their new Work programme will meet the needs of unemployed workers. However, there are several flaws to that argument. Nearly 2.5 million people are unemployed now, and the impact of the cuts is that less support will be available to them and any other people who lose their jobs over the next year. In addition, the Work programme is essentially replacing the flexible new deal initiative. The experience provided by the future jobs fund and the guarantees was in addition to new deal measures. So far, no details are available on the funding for the Work programme. It seems likely that, even when it is introduced, overall investment in tackling unemployment may fall.

At the end of March 2011, the future jobs funds will have funded more than 100,000 jobs, the majority of which will have gone to 18 to 24-year-olds who have been out of work for six months. Given that the Secretary of State for Work and Pensions has said that he wants to get young people off benefits and into work, it absolutely beggars belief that one of the first acts was to cut a scheme that does exactly that.

I should like to take this opportunity to point out to the Secretary of State that, if people are to be asked to travel to find work, it is vital that transport links are good enough to support them in doing so. In south Wales, there is no train link between Newport and Islwyn. Although there are plans to establish such a link by opening the Gaer junction, there is still no timetable for doing so. I ask the Government to ensure that that project goes ahead, so that the people of Islwyn and Blaenau Gwent can commute to work in Newport and the surrounding areas.

We should be striving for growth, but the Budget will mean lower growth and more unemployment. The Government are making the wrong decisions in all those areas, and it shows me that they believe, as they believed in the 1980s, that unemployment is a price worth paying to cut the deficit. [HON. MEMBERS: "Oh!"] Yes, they think that unemployment is a price worth paying.

Nick de Bois (Enfield North) (Con): Will the hon. Gentleman give way?

Chris Evans: No, I am making progress.

Those of us who represent areas that lost out the last time that the Tories were in government know that the cost of unemployment is too high. I urge the Government to reconsider before they condemn areas such as mine to large-scale unemployment all over again.

5.12 pm

Margot James (Stourbridge) (Con): There have been quite a lot of references to history in this debate. In the first few hours, which I sat through and enjoyed, many such references were made, including by the shadow Secretary of State for Work and Pensions, the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper), who said that she left school in the 1980s and that many of her friends became unemployed in the early '80s. As I was born a decade earlier, I had a ringside seat in the decades that led to the 1980s. Throughout the '60s and '70s, various Labour Governments presided over truly disastrous industrial intervention policies.

I, too, come from Coventry, as does the hon. Member for Wakefield (Mary Creagh), who also contributed to the history lessons in the debate. She will remember the creation of British Leyland, the demise of our car industry, the massive subsidies that those Labour Governments poured into failing companies and failing industries, combined with marginal personal tax rates of up to 98%. In the end of course, as we all know, the country had to be rescued by the International Monetary Fund. That is what led to unemployment in the 1980s, not the Governments led by Margaret Thatcher.

A pattern developed during those previous Labour Governments, just as it has done in the past 13 years, and it results in the end in rising unemployment. Every Labour Government, I believe, have left office with unemployment higher than when they came to office. We must not forget that in a debate on unemployment. Unemployment among the young is greater now than it was in 1997. During the past five years there has been a 72% rise in my constituency of people on jobseeker's allowance, more than a quarter of whom are between the ages of 18 and 24. Much has been said about the tragedy of unemployment among this age group with which I agree.

Alison McGovern: Does the hon. Lady think that it is appropriate to compare unemployment in 1997 with unemployment today, at two completely different points in the economic cycle? That is not how economists would normally do it.

Margot James: The previous Government inherited falling unemployment in 1997, and it steadily increased during the first decade of this century. We have been through a couple of economic cycles during that time, but historically unemployment is always greater when a Labour Government leave office than when they arrive.

Rising unemployment under Labour Governments is always followed by a lot of well-meaning interventions to try to support people back into work. That is a laudable aim, with which we all agree, but it leads, as it has during the past five or six years, to a confusing array of individual benefit programmes that create a flourishing array of different funding streams and agencies, and they grow like Topsy. They beget a flourishing cottage industry of providers, all of which make money out of the taxpayer in trying to deliver the same services. It is imperative that the Government simplify, as they are doing, the 12 support-for-work programmes. I congratulate the new team on the steps that they have taken to integrate everything into a single get-back-to-work programme.

I do not want to be wholly negative about the interventions under the previous Government. I was a governor of Stourbridge further education college in my constituency, and a good programme was developed with Westfield, the company that manages the retail centre, and it was known as the retail academy. It took long-term unemployed people, such as women who had left the workplace to have a family, who had not been able to get back into work and who had lost their confidence. They did not have to lose their benefits. The programme was a 9-to-5 commitment, and more than half of them managed to get proper long-term jobs in the retail sector. I would not want to imply that all the individual programmes were a waste of money—of course some of them helped, and I am sure that we will learn from them—but simplification and better co-ordination is key, as another example that I want to share with the House demonstrates.

A few weeks ago, like me, some Members will have visited the manufacturing insight conference that took place just off Westminster Hall. I was struck by the story of a managing director of a small business in Lincolnshire employing about 30 people who wanted to access training for her finance staff. They wanted NVQ level 2 finance training, but in order to qualify she had to guarantee that eight people from her workplace would attend the course. She did not have eight people who needed the course, but there was only one provider that she could approach, and it was subcontracted by another provider that had the contract with the college.

All these providers and subcontracted providers take a slice of taxpayers' money, which is another reason why we must simplify and codify the work, so that just one company or social enterprise is charging the taxpayer a fee for delivering a much-needed service. Business needs support, but it knows, for the most part, what it needs to employ people, and we must give companies much more direct access to the funding. They should not have to go through all these multiple layers of provision, and they should not have to go through regional development agencies, Business Link and so on—they should be able to access the vital help much more easily.

Mr Stewart Jackson (Peterborough) (Con): Does my hon. Friend agree that laudable aims sometimes have perverse consequences? She will no doubt have come across people on the doorstep—usually women—who want to work more, but because of the extremely complex tax credit system built up by the former Government, it is simply not worth their while working. They therefore have an incentive to stay at home and remain on benefits, which cannot be right for them, their families or the wider community.

Margot James: I thank my hon. Friend for that excellent intervention. It is absolutely true. We have to create a situation in which people do not fall off the face of a cliff when they lose their benefits overnight, as

[Margot James]

soon as they take on a job for not that many hours a week. It is a poverty trap—it traps the children as well as the parents—so we have to address that. He raises an important matter.

We have talked a lot in this debate about various Government support initiatives with which we will continue under the new simplified Work programme. However, let us not forget that what the private sector really needs is a vibrant economy. First and foremost, that is what drives jobs. It is not rocket science: we need an educated and skilled work force; controlled immigration, so that businesses are not tempted simply to seize on quickly available, easy and cheap labour—we really must stop that—a benefits system that does not discourage people from going into work, as my hon. Friend the Member for Peterborough (Mr Jackson) said; and, above all, a low tax and a light regulatory regime that encourages investment, rewards risk and stimulates growth. That is our golden vision on the Conservative Benches, that is what we will deliver over five years, and that is what the Budget was all about.

I am pleased to say that, despite the dire economic circumstances we are having to deal with, and the deficit reduction plan that has been forced upon us, we are making great headway in creating the conditions for business that I just described. I will conclude by running through some of the excellent programmes that will drive the recovery. For a start, the employers' national insurance increase will be tempered and the planned increase on the employers' side will not go ahead. Although the employees' side will go ahead, it will be compensated for by the raising of the nil rate on personal tax allowances. We are also looking at tax relief for small businesses, and the first 10 members of staff in any business will be exempt from national insurance contributions.

Whenever I do a survey of businesses in Stourbridge, I find that one of the biggest complaints is the cost of business rates, and by increasing the small business rate relief for one year from October, we will help an estimated 500,000 small businesses. Furthermore, as a west midlands Member, I can say with great passion that the regional growth fund and the commitment of £1 billion will help areas and communities particularly affected by the spending reductions forced upon us. There are other regional policies designed to correct the balance as far as we can. The number of jobs in the boom years created in London, the south-east and the east rose at 10 times the rate of new jobs everywhere else in the economy. Having come from the west midlands, worked for many years in London and gone back to the west midlands, it is deeply striking to me how we have almost become two nations. I am therefore delighted that my right hon. Friend the Chancellor of the Exchequer is so committed to helping regions outside London, the south-east and the east.

Finally, I wish to acknowledge the words of the Secretary of State for Business, Innovation and Skills, who has said that

"the Government's role is to create the right business environment and the right skills base. The Government cannot simply keep writing out cheques."

That is the nub of how we propose to stimulate the recovery that this country so urgently needs.

5.25 pm

Alison McGovern (Wirral South) (Lab): I wish to focus my remarks specifically on young people, and with that in mind I should like to comment on what my hon. Friend the Member for Islwyn (Chris Evans) said. Like him, I grew up in the 1980s in a part of the world where it sometimes felt as though very few people had any faith in us. That motivated many of us in the House who come from such parts of our country to stand for election and stand up for investment in young people today.

With that in mind, I wish to say a few words on business confidence and its importance for young people's employment prospects. I was concerned to read about the Deloitte survey of FTSE 100 directors of finance that was reported this week. The report explained that those finance directors saw an increased probability of a double-dip recession, up five percentage points from a 33% to a 38% likelihood in the past three months. That was attributed to the Government's policies. That concerns me, because the last thing that I want is falling business confidence that will cause this country similar problems to those that we saw in France and other European countries years ago. At times when business did not want to invest, people at the start of their careers were disproportionately affected, and young people suffered much more than others in their career progression in times of downturn. I call on the Government to guard against that.

In addition to the importance of business confidence and the Government demonstrating counter-cyclical measures, I have a few comments to make at a practical level. Throughout the election and since being elected to the House, I have been concerned about what is happening in my local Jobcentre Plus. The people who work at that centre in Bromborough, about a mile away from where I was born and grew up, work incredibly hard and responded very well throughout the recession to help people who had been made redundant and suffered unemployment.

Over recent months, there has been a real threat of that jobcentre losing some of its work force. They have built up their capacity and skills to try to encourage people back to work and to find the best avenues for them, but now the centre is working under the shadow of the threat of losing its work force and their skills when they are most needed. I call on the Government to consider the matter carefully and not cut away front-line Jobcentre Plus staff at the very time when we need them most.

Members have mentioned the future jobs fund. Although my right hon. Friend the shadow Secretary of State has already referred to the Prime Minister's comments, it is appropriate for me to say again that when he visited Liverpool, he said that the future jobs fund was "a good scheme" and that

"we've got to help people who are unemployed for a long time and social enterprises like this help. It demonstrates where giving more power and control to projects like these works."

I was struck by the comments made to me by my friend John, who is a trustee of an older people's charity in Wirral. He told me about the two young men who came to work for the organisation, doing practical tasks in the building where the charity is housed, and described the confidence boost that this had given them and the

important skills that they were learning. Those jobs would not necessarily be jobs for life, but they were going to keep the CVs of those young men consistent. That example, along with the evidence from the Prime Minister, shows that perhaps the Government could have thought more carefully about the future jobs fund. The Government's decision, added to the loss of the young person's guarantee, has caused me real concern about the prospects for young people in my constituency and the part of the world where I grew up.

I hope that the House will permit me a small amount of partisanship.

Mr Stewart Jackson: Before the hon. Lady continues, let me say that the House would be slightly more accommodating of her partisanship—which is no doubt coming—if she were willing to admit that the number of NEETs under her Government was the highest ever and that the further education capital programme was a calamitous disaster. The corollary of that negative news is that this Government are setting up 50,000 more apprenticeship places and expanding higher education. In the spirit of fairness, surely she can concede that her Government made mistakes and that this Government have new and fresh ideas.

Alison McGovern: I will certainly concede that any plans to increase the number of apprenticeships are welcome. Such plans are vital for my constituency and, I am sure, the hon. Gentleman's constituency too. When I meet the people from Wirral borough council who work on the Wirral apprenticeship scheme and they tell me about the proactive way in which they have helped young people not in employment, education or training in my area, I can only applaud their work and hope that we will support them on a cross-party basis to continue that work. In that regard, where there are increases in the number of young people who face the threat of unemployment or who are not in employment, education or training, we all need to redouble our efforts and find what can be done. We are all aware of the potentially scarring impact of that not just on those young people, but on their families and communities.

The tenfold increase that we have seen in apprenticeships in Wirral since 1997, which I mentioned in an intervention, has been so welcome partly because of its intergenerational aspect and how it has built up our community. Parents no longer feel that the options for their young people are university or nothing very much. They are now starting to feel that there might be some options; so, to respond to the hon. Gentleman, as Members of this House we must redouble our efforts to focus on apprenticeships and encourage business to invest. However, that needs to involve the public and private sectors working hand in hand. It is important to recognise that we cannot expect those in the private sector to take a chance on young people where the public sector locally is not working alongside them.

As well as talking about those who go into apprenticeships, I want to say a few words about graduates. In this discussion about unemployment, we need to recognise that getting a degree these days is no magic bullet for securing a future career, and we must not pretend that it is. In fact, we need to encourage young people, both pre-university and while they are there, to gain the work-relevant skills that will assist them with their careers.

Margot James: Will the hon. Lady give way?

Alison McGovern: I will make a bit of progress, if that is okay.

We should recognise that the downturn that we have faced has been worse for graduates from lower-income backgrounds, and there are a few reasons for that. Graduates from lower-income backgrounds are much less likely to go on to further study. When I was studying philosophy at University college London, at a time when the economy was growing, I remember my tutor saying to me that downturns were always good for philosophy departments, because they kept hold of people who would otherwise have gone straight into the City, as their parents could pay for them to do a master's degree or something like that for a few years.

We need to recognise that graduates from lower income backgrounds are less able to progress their careers, because they are less likely to have the informal networks that will help them as graduates to take the first steps into their careers. Unless we are able to rebuild business confidence, even graduates will continue to face difficulties. I return to my original point that the key to unlocking the problem of unemployment, especially among young people, is to improve business confidence and to ensure that the private sector and the public sector continue to invest in jobs.

In liaising with the CBI in the north-west on apprenticeships, I heard about companies in Wirral that were very keen to employ local young people. I talked to those companies at length about how we could support them in their endeavour to build new infrastructure in Wirral while training young people in my area. Those companies were working on vital infrastructure projects such as Building Schools for the Future, and the problem with the Government's decision to cut the deficit more quickly than we would have liked is that the withdrawal of Government input into the economy will be counter-productive because those companies will no longer feel that they have the backing of the Government to hire young people and build up their skills.

Jake Berry (Rossendale and Darwen) (Con) *rose—*

Nick de Bois *rose—*

Alison McGovern: I should like to make some progress. I do not want to prevent others from speaking in the debate.

I fear that that withdrawal of Government input, especially in areas where the employment picture, though recovering, is historically fragile, will result in more people on the dole, which will make it even more difficult for us to reduce the deficit.

5.37 pm

Nadhim Zahawi (Stratford-on-Avon) (Con): I want to talk about one of the biggest challenges that the coalition Government, the House and the country face: jobs and unemployment in our country, and what the Government can do to tackle them. The Opposition motion would be hard to support in any circumstances, but it would be more credible if it had started with an apology. Nearly 2.5 million people are now unemployed. To put that in perspective, that is 500,000 more than the entire population

[Nadhim Zahawi]

of Slovenia, a nation that we recently played in the World cup. That is a terrible figure, and also a terrible legacy to have inherited from the previous Government.

Thomas Docherty (Dunfermline and West Fife) (Lab): Will the hon. Gentleman give way?

Nadhim Zahawi: I will not, as I would like to make some headway in my speech.

Following the election of the new Government, it immediately became clear to us that we faced a series of immense challenges in tackling unemployment and worklessness. Let us be honest—those problems have not come about purely because of the recession. Over the past decade, the very fabric of this nation has been altered. This is now a nation of huge government and huge inefficiency, and one that does not do much for those looking for work. Instead, it seems to encourage those who do not want to work. Those factors have undermined this country's competitiveness, its efficiency and—perhaps most importantly—its social fabric.

This is a self-aggravating situation. Those who are brought up in workless households are themselves more likely to experience worklessness, welfare dependency and poverty in later life. This is not an issue we can ignore. It is vital that we address the causes and begin to secure solutions to these enormous problems. That can be done by making changes to the way in which the welfare state is operated. My right hon. Friend the Member for Chingford and Woodford Green (Mr Duncan Smith), the Secretary of State for Work and Pensions, alongside the right hon. Member for Birkenhead (Mr Field) and John Hutton, the former Member for Barrow and Furness, have the historical credibility and experience to make a real difference. Focusing on key issues such as the long-term unemployed and the high level of youth unemployment is critical.

Business is another key area in which a real impact can be made. Supporting our businesses and reducing the regulation that strangles them will lead to more opportunity and more jobs. That is a tried and tested solution and one that I, as a business man, will address shortly, but for now I feel that I cannot ignore the record of those sitting opposite me. After 13 years of a Labour Government, huge numbers of people are living off the welfare state. A whole swathe of society has been led to believe that the culture of aspiration and hard work on which Britain has long prided itself can be ignored in favour of welfare and idleness. Yet I do not blame those people, because it is the last Government who allowed that culture to become ingrained in the British psyche. It is the last Government who bloated not only the welfare state but the public sector. I would never accuse them of doing that for reasons of self-interest, but the questions have to be asked: why was it allowed to happen, and what can we do to rectify it?

Let me turn briefly to the figures, for they do not lie. As I mentioned earlier, unemployment is now just shy of 2.5 million, with nearly 1.5 million people claiming jobseeker's allowance. We also have 1.7 million people who are long-term unemployed, having been without a job for at least 12 months. Of those, 1.4 million have been on out-of-work benefit for nine or more years; that is a deep rut that is hard to climb out of. I should also make it clear that that does not take account of the 2.6 million people in receipt of incapacity benefit and employment and support allowance. Ours is the nation with the highest number of workless households in Europe. There were 5.9 million working-age benefit claimants in November 2009, and we have an incapacity benefit system that makes it more likely that those on it will die or reach pension age, rather than getting another job after two years of claiming. That is the legacy we have been left.

The last Government have clearly failed. They led this great nation for 13 years, and that is the record that has been left. They may point to and blame the recession; they may claim that factors out of their control led to this situation; but I say no, they cannot so easily shirk the responsibility that the people of Britain placed on them in 1997. They claimed that they would take "Britain forward not back", yet it is backwards that we have gone: back to the dole queue, back to unemployment, and back to poverty. It is now up to us, the coalition Government, to rectify the mistakes of the past and ensure that once again we "Get Britain working".

Of course, an enormous number of areas must be discussed if we are both to understand and to begin to deal with this problem: the welfare system and what we can do to change and streamline it, the huge problem of youth unemployment, and what we can do to help lone parents back into work. But as a business man myself and a keen believer in the power that enterprise in the UK has in job creation, I intend to focus on that area. I am a firm believer in creating real jobs in the real economy. We have made it clear that a key element of our programme is boosting economic growth and, as a direct result, creating jobs to ensure that Britain has an economic climate in which private enterprise can compete and invest with confidence. It is vital that we ensure that jobs are available both for those looking for work, and for those whom we will try to get into work.

Mr Stewart Jackson: Does my hon. Friend agree with my comparison between what the Conservative party did in government in the 1980s, when they brought about a real transfer of wealth and capital to working people through shared ownership and the right to buy, and what the Labour Government did, which was to ossify social mobility and widen the gap between the richest and the poorest 10% in our country?

Nadhim Zahawi: My hon. Friend is right. One example is the way in which the gap between the south-east and the rest of the country has grown. Labour Members just do not seem to understand what it takes to create an enterprise economy.

Mr Anderson: Further to the point made by the hon. Member for Peterborough (Mr Jackson), a lot of people were made wealthy in the 1980s, and 200,000 coal miners got £20,000 to go on the dole queue—paid out of the public purse.

Nadhim Zahawi: And your point is? At the end of the day, you only have to look at the facts. The facts are that you have left us with a legacy of £500 million a day—

Mr Deputy Speaker (Mr Nigel Evans): Order. I did not leave anybody with a legacy of anything.

Nadhim Zahawi: It is not sustainable to follow the path of the previous Government and bloat the public sector. Business needs confidence to invest. Our first Budget last month has laid the groundwork for these aims. We will drop the headline rate of corporation tax by 1% each year for the next four years, lowering it to 24%. We have ended the disastrous jobs tax that the last Government tried to introduce for employers, a key policy in ensuring that our businesses once again begin to hire people.

The measures in this Budget are intended to give businesses the confidence to invest for the long term, and to reduce the burden of tax and regulation. One area where we need to, and can, do more, is in funding for business. If we expect business to take up the slack of the reduction in the size of government, we must send it a clear message on funding. There is a disconnect between what the banks are telling us regarding the amount they are lending and what businesses are experiencing and telling us about the access they have to funding. I hope that in my new role as a member of the Business, Innovation and Skills Committee we can spend some of our time inquiring as to how we can alter that dynamic.

Nick de Bois: Will my hon. Friend add to that the outrageous attack on many SMEs, with banks inflating margins for captive customers with nowhere else to go? Does he welcome the opportunity for competition in that marketplace?

Nadhim Zahawi: My hon. Friend is right, and that is one of the areas I am passionate about.

Thomas Docherty: I am deeply puzzled that the hon. Gentleman argues, on the one hand, for less intervention and regulation, and on the other that the privately owned banks have to be instructed to lend more money. Which argument is he making this evening?

Nadhim Zahawi: That is not the point I was making. If the hon. Gentleman had been listening carefully, he would have realised that my point is that we have to inquire into what is happening. I am not talking about instructions, but about understanding the dynamic so that we can create a similar environment to that in Silicon valley, for example, where people can get access to funding more easily than in our country.

As a business man, I also know first hand the damaging effects that over-burdening business with regulation has on British companies. It is imperative that we reduce regulation. The coalition Government aim to do just that. The level of regulation in this country is simply staggering, and another example of the top-down bureaucratic approach taken by the last Government. The Institute of Directors has estimated the annual cost of regulation to UK business at £80 billion, and has stated that the ever-increasing burden of paperwork hinders business from growing and, ultimately, creating jobs. That is why we have announced plans fundamentally to review all regulations scheduled for introduction over the coming year. We will put in place a system of sunset clauses so that regulations cease to be law after seven years, and we have also created the one in, one out rule to reduce for ever the regulation created in Whitehall. All of these are key measures in ensuring that our businesses have the opportunity to thrive and, more importantly, to hire.

The level of unemployment in this country is a huge problem, but I am confident that, with the new coalition Government in power, we can address and reduce it. This issue requires a complete set of solutions, all of which need to be implemented together in an effective and decisive manner.

If we balance the books of Government, hold down interest rates, encourage business to invest and reduce the regulation that strangles business, I believe that, at the very least, we will ensure that there are jobs available for those who want them and an economy that can support them.

I support the amendment to the motion.

Several hon. Members *rose—*

Mr Deputy Speaker: Order. There are still several Members who wish to catch my eye. The Front-Bench speakers will be called at half-past 6, so the House will see that we have only 40 minutes or so. I hope, therefore, that hon. Members will show restraint and try not to go over six minutes, although the one maiden speech that is to be made may be slightly longer.

5.51 pm

Rushanara Ali (Bethnal Green and Bow) (Lab): Thank you for allowing me to speak, Mr Deputy Speaker.

I wanted to speak in this debate because employment is of such great concern in my constituency. It is absolutely vital that we invest in the talent of local people in different areas around the country, and that their talent is not wasted. The hopes and aspirations of people who want to contribute to our economy must not be cast aside in the way that I believe that this Government will do.

In Bethnal Green and Bow, unemployment is just under 11%, significantly higher than the national rate. The experiences of white working-class groups and of ethnic minority groups—especially those of British-Bangladeshi or Somali origin—are particularly challenging. They face the double whammy of trying to find work in difficult circumstances and in a difficult economic climate, but also of the social class barriers, and the ethnic penalties that are well documented by Cabinet Office research.

Unemployment in my constituency is faced by people who live only a stone's throw from the City and Canary Wharf. They see the wealth and opportunities there, but struggle to reach them. Even during the boom years, unemployment was higher than the national rate, and youth and graduate unemployment were also high. Businesses in the City and Canary Wharf made efforts to recruit people, but not enough. We need the private sector, Government and local agencies to work together to create opportunities, and we need the Government to support those opportunities and enable that sort of cross-organisational working.

We also need the voluntary sector. Through organisations such as City Gateway in my constituency, and with the help of the future jobs fund and the working neighbourhoods fund, it has made enormous progress

[Rushanara Ali]

in trying to get people into work. Funding like that is an enabler, and we need that kind of support if we are to get people into work.

Tower Hamlets has managed to cut unemployment—not enough, but it has made significant progress. The current proposals stand to damage that progress. In my constituency, a lot of positive work is being done across sectors. I hope that this Government will look at ways to enable that to continue.

I am saddened that £1 million of the working neighbourhoods fund has already been cut. That is not a good sign. Figures show that 9.6% of young people are NEETs—that is, not in education, employment or training—and that is too high, but in Tower Hamlets we have managed to reduce that proportion to 6%. That is a fall of 40%, and it could not have happened without help from the Government, or without the September guarantee and the future jobs fund.

I remind the House that 8,500 young people across London managed to stay off the dole queue thanks to the help of Government interventions. I also appeal to the Government not to delay the introduction of the programme of setting up 50,000 apprenticeships that has been announced. If they do delay, it will be a case of "too little, too late": we cannot afford to waste the talent and potential of people in this country.

The Conservative mantra in the 1980s was, "If it's not hurting, it's not working." The unemployment rate then was very high, but that is not a price that is ever worth paying. I hope that people across the House recognise that. Research by Cardiff university found that unemployment was associated with a doubling of the suicide rate, so let us not forget the kind of damage that can be done, especially by unemployment of men.

Jake Berry: Does the hon. Lady agree that, after 13 years of a Labour Government, it is a disgrace that one in five people under the age of 24 are out of work? Does she think that has been a price worth paying for 13 years of a Labour Government?

Rushanara Ali: The Labour Government made every attempt to help people into work. There are great challenges and complex circumstances in helping and enabling people to work, but at least the Labour Government did not shirk their responsibility. At least they tried to support people, as Labour Governments will always do. I appeal to the coalition Government to try to provide support, so that people can achieve their potential. This is not about handouts; it is about giving a helping hand. That is the progressive route to supporting communities.

Matthew Hancock (West Suffolk) (Con) *rose—*

Rushanara Ali: I am short of time, so I would like to make some progress and share the following example. At a recent employment fair in my constituency, 10,000 people were queuing up for jobs, but there were only 1,000 places at the work fair. That does not show that people are not interested in jobs or that people will sit idly by waiting for opportunities to come to them; they want to work, they want opportunities and they need support from the private sector, the Government and the voluntary sector. I hope that that is the spirit in which this Government will seek to work.

The cost of unemployment is ill health, depression and anxiety; it is many social consequences that we cannot afford. I regret that unemployment remains high for some sections and that some people continue to feel left behind. I acknowledge that my party did not achieve as much as it would have liked, but the fact is that my party never walked away from people who needed support in constituencies such as mine.

Matthew Hancock: I thank the hon. Lady for a very thoughtful speech. Will she join me in welcoming the new Government's proposal to increase the number of apprenticeships, because she mentioned that earlier?

Rushanara Ali: I welcome any effort to try to help people to get work but, as I said in my earlier intervention, it is important to ensure that training programmes are meaningful. I would say that to my own party and my own Government—in fact, I lobbied my Government to keep making progress, because that is the right thing to do. The point is that there is no guarantee of a job at the end of this. Young people, with whom I have spent some years working, need to be convinced that when they get involved with these programmes, there will be a result and the programme is meaningful, not a fudge. That must be our focus. I welcome the 50,000 apprenticeship opportunities, but people will have to wait until next spring. What am I meant to say to my constituents, who have been waiting for help from this Government? We contributed support. The problem is that the recent announcements, whereby all this is to be left until next spring, are not good enough.

I wish to conclude by saying that we must not fail the challenge of trying to help people get into work. We must give them hope, we must realise their potential and we must help them to meet their aspirations. We have not seen evidence of investment in the aspiration that the Prime Minister talked so much about when he was campaigning. I hope that we will see that, and that this Government will not turn their back on the people who want to contribute to this society and this economy, and whose potential we need for economic growth. I hope that this coalition Government will deliver a progressive solution, not one that leaves people behind.

5.59 pm

George Freeman (Mid Norfolk) (Con): Thank you, Mr Deputy Speaker, for the opportunity to make my maiden speech in this important debate about jobs and unemployment. I take my seat in the shadow of three eminent predecessors, all of whom have been gracious enough, with some help from the Boundary Commission, to cede portions of their constituencies to the new Mid Norfolk constituency. They are my hon. Friend the Member for Broadland (Mr Simpson), who represented Mid Norfolk with great distinction, my hon. Friend the Member for South Norfolk (Mr Bacon) and the former Member for South West Norfolk, all of whom are held in the highest esteem locally and in this House.

Mr Deputy Speaker, you are no doubt thinking, "Where is Mid Norfolk?" Indeed, its boundaries have baffled many of its constituents since being redrawn. Centred on Dereham, the ancient heart of Norfolk, it

includes the three market towns of Attleborough, Watton and Wymondham, and 110 charming villages. I should like to take the House on a quick—130-mile—tour that I have had the great pleasure to make by bicycle in stages over the past three years, in the spirit of past parliamentarians, such as most famously, William Cobbett, on horseback, and more latterly my hon. Friend the Member for Penrith and The Border (Rory Stewart), on foot. Following the instruction of the former Member for Chingford, and more recently the example of my right hon. Friend the Prime Minister—perhaps the only time that they have agreed—I opted to go by bike.

We start at The Crown in Colkirk, the northernmost point and only a few furlongs south of the magnificent Fakenham race course. We then pass through Beeston, home of a new micro-brewery and the excellent "Worth the Wait" ale, which I hope the House might feel is worth a glass after my maiden speech; Dereham, the capital, which received its charter in the 16th century; Swanton Morley, the home of the Light Dragoons, whom I know the House will want to thank for their brave service to our country; Hingham, the home of Abraham Lincoln's family and the relaunched Lotus motor racing team; Wymondham, with its famous abbey, crucible of Robert Kett's revolution and home to Wymondham college, a rare state boarding school, and Wymondham high—two of the top state schools in the country—Attleborough, home of Banham Poultry, our largest local business, and Liftshare, the world's fastest-growing car-share company, set up in a former turkey shed by a local entrepreneur; and Watton, heart of the Wayland valley and home of the famous horse fair.

Eschewing the metropolitanism of Norwich, Fakenham, Thetford and Swaffham, which guard its perimeter, Mid Norfolk is the rural core of this most rural and historic county, a county that I need hardly remind the House has given us our first Prime Minister, Sir Robert Walpole, our greatest military hero, Horatio Nelson, and the seeds of the agricultural and, therefore, industrial revolution, courtesy of Coke of Holkham and "Turnip" Townshend. The turnip is a vegetable that has had a tricky press of late, but it is held in the very highest esteem in Norfolk.

My constituency has come of late to feel increasingly marginalised, however. Tackling that sense of marginalisation in order to unlock the talents and aspirations of its people is, and will remain, the central theme of my work as its MP. The people of Mid Norfolk feel marginalised by the decision-making process and too often forced to change in ways that they have neither chosen nor like. The small, local, voluntary and rural is all too often crowded out by the big, national, professional and urban. As reported this week, rural Britain has been especially hard hit by unemployment during this recession, and my constituency has pockets of rural deprivation which are often hidden and invisible to the passer-by. Pensioner poverty can be especially invisible.

Post offices, pubs and village shops close, while more and more people are forced to commute increasing distances from the mass housing estates that have been forced on our market towns and councils. In my three-year candidacy I insisted on another way. Opposition Members might call it a third way, but we call it the Norfolk way: a vision of a vibrant rural society based on a renaissance of rural enterprise; smaller pockets of mixed housing spread more fairly and sustainably; fast-growing small businesses and jobs back in our villages and towns; less commuting; a richer mix of ages; and blue and white-collar jobs in active communities.

Some may ask, "Where are those new jobs and businesses to come from?" Let me tell the House. Situated between Norwich and Cambridge are two of the world's leading centres of scientific research and innovation in food, biomedicine and the clean technologies of which my hon. Friend the Member for Richmond Park (Zac Goldsmith) spoke earlier, all of which are so vital to the global challenges that we face, Mid Norfolk is perfectly positioned to become a hub of entrepreneurial activity and new jobs. With the world-leading John Innes centre, the Institute of Food Research, world-class agriculture and high-tech engineering along the A11 corridor, we can lead those new economic sectors on which we will increasingly depend.

As someone who came to politics after a 15-year career in creating new technology businesses, I hope to be able to put my experience to good use in that area. However, that revolution cannot happen without two essential things: new models of investment in infrastructure, including the A11, rural broadband and rail links, and some local leadership.

The stale post-war model of statist centralisation and dependence on the Whitehall handout has failed Norfolk and needs replacing if we are to have a sustainable recovery. The benefits of this empowerment and liberalism will not just be economic. Rural Britain is, I believe, the repository of some important virtues that our modern culture has neglected: a deep belief in self-help and responsibility; an insistence that everybody in a community has a role, and the rejection of a shallow media culture's obsession with celebrity; and a love of the small, the different, and the local. These are qualities that are deeply rooted in the English character.

The people of Mid Norfolk sent me here to speak up for them, so I shall. My constituents, proud of those values, have found themselves increasingly powerless in the face of a tidal wave of legislation and "big government" from Europe, Whitehall, and unaccountable regional quangos. Many worry that our culture has been hijacked by an increasingly intolerant, politically correct "anything goes" multiculturalism which seems to have too little respect for the longer traditions of tolerance, personal freedom and responsibility embedded in our traditional heritage. By pumping the bellows of local empowerment, I believe that we can reignite the embers of a culture which can and should be allowed to coexist with metropolitan Britain, to mutual benefit.

At the heart of this manifesto is a big idea: that citizenship is forged not through dependence on the state as espoused by new Labour and its philosopher king, Anthony Giddens, but through the empowering act of the state granting responsibility to its citizens. That is the central idea which has brought me into politics as a Conservative, and which I am delighted is once again the idea at the heart of modern Conservatism and this coalition.

I hope that the House might allow me to close on a personal note. As no doubt for all hon. Members, taking my seat in this great House is the culmination of a long journey and a lifetime's dream. I can recall very clearly when that seed was sown: coming here on a school trip aged 12, inspired by childhood stories of my

[George Freeman]

great-uncle Gladstone. As the child of a broken and at that time unhappy home, I recall seeing the worn edges of the Dispatch Box and being struck by a deeply reassuring idea: that whoever and wherever you are in our country, there is a place where the nation takes responsibility for its affairs, a place where your problem matters, a place here, for you, whoever you are. I still believe there is no greater honour than to be sent here by a constituency to serve. I believe the public want to believe that too, and want this new Parliament to raise aloft the standard of a politics of which we can all be proud. I thank the people of Mid Norfolk for the chance to be part of that, and I thank the House for its patience this evening.

Several hon. Members *rose—*

Mr Deputy Speaker: Order. Five Members are trying to get in; if they restrict themselves to five minutes, everybody will do so.

6.7 pm

Sheila Gilmore (Edinburgh East) (Lab): Thank you, Mr Deputy Speaker, for calling me to speak in this debate.

In the few weeks that I have been here, it feels a little as though I have walked into an Alice in Wonderland world where everything has been turned on its head. A lot of myth-making has been going on. If one says something often enough, even if it is not true, people will come to believe it. I have to say, as somebody who studied history, that we need to ask what sort of regimes are particularly good at doing that. I trust, and I am sure, that my constituents will not fall for these myths.

So what are the myths? Myth No. 1, which concerns a terribly important issue, is that Labour causes unemployment. Let us take 1997, and let us take 2010, after a major recession, and then allege that during the course of the Labour Government we have had high unemployment. If my constituents were asked which were the recent periods of long unemployment, they would not say the period from 1997 to 2008 but the periods of the 1980s and the 1990s—they know that full well. By the mid-part of this decade, we had reached a position in Edinburgh whereby unemployment had been virtually reduced to a hard-core minimum. We had a very healthy economy for all that time, so it is simply not true to suggest that we have had a period of Labour Government with high unemployment.

Neither is it true that we have the highest unemployment figures in Europe—I do not know where that that comes from. A year ago, my cousin from Spain came to visit and told me that he was very worried because Spain's unemployment stood at 19% or 20%. That myth about our unemployment figures is another one that we must destroy.

Public support and funding makes a lot of the economic development in the Edinburgh area possible, but the Tory view is that public spending is a drag on, rather than an encouragement to, the economy. For example, the public spending and support we put into a wave power project in Leith docks—£4 million of public spending in past year—will create lots of employment, but nothing would have happened without that degree of public support. The offshore wind projects in the River Forth would not have happened without public support.

During the election campaign, a construction engineer in my constituency told me that he was seriously worried about school building projects drying up, because his firm had been associated with those nationally and in Scotland for all the years of the previous Labour Government. However, in 2007, the Scottish Government came under the control of the Scottish National party. They chose—they were not forced—not to use public-private partnership, which was Labour's funding mechanism. As a result, they have been unable to start a single new school in my area, because they have not come up with another form of funding, meaning that my constituents' employment prospects are much diminished. That was before public funding was cut further. If that construction engineer—he has always worked in the private sector—were asked whether he could manage without the public sector, he would say no.

Another big myth that is being perpetrated is that increased funding for welfare spending—I do not particularly like that term—means that it is all being spent on people who sit at home doing nothing. That is not true. One of the big triumphs of the Labour Government was to create a situation in which single parents, for example, can work. Single parents have been enabled to work, but only a very low proportion of them used to work, even compared with other countries, because the benefits system made it very difficult for them to do so. Tax credits, which come under the big heading of welfare spending, are designed specifically to let people work. That is what they are about. They are not about people sitting at home doing nothing. That is another myth.

I was interested to hear another hon. Member praise an academy project. We have set up similar projects in Edinburgh. I hear people talking about having a single, unitary, simplified form of training; the point is that it must be relevant to particular areas. Our training was in health care, because we had brand-new hospitals, but one size will not fit all.

Let us give up on the myths and talk about the reality. I hope that our prediction that things will not go well in the next few years does not come true, but my constituents are very afraid.

6.13 pm

John Howell (Henley) (Con): May I begin by paying tribute to my hon. Friend the Member for Mid Norfolk (George Freeman), whose maiden speech was erudite, sophisticated and entertaining? It has almost persuaded me to abandon my plan to go and live in the south of France in my retirement—when the date comes, a long time in the future—and instead to go and live in Norfolk.

I should like to talk about the words at the end of the Opposition motion and the decision

"to abolish regional development agencies",

which the hon. Member for Birmingham, Erdington (Jack Dromey) and the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper) mentioned in their speeches. We need to put RDAs into some sort of perspective. Between 1999 and 2008, RDAs cost £13 billion; salaries increased from £38 million to £120 million and running costs increased by 159%.

PricewaterhouseCoopers said that the return was £4 for every £1 put in, but it is not clear whether that takes account of the increase in overhead costs. Either way, it is not a particularly interesting amount of return.

In addition, we should not forget the rather destructive way in which RDAs have gone about promoting areas overseas and reaching out for inward investment. The total cost of RDAs' overseas activities in the seven years to 2008 was £24 million. Even Advantage West Midlands, which the hon. Member for Birmingham, Erdington much praised, has 11 offices overseas. There is wasteful competition between RDAs. Five RDAs have offices in China, which, as I have mentioned in the House before, prompted a rather indignant group of business men returning from China to complain that the Chinese do not understand the difference between the east and west midlands.

The creation of employment through the RDAs essentially happens through the regional economic strategies. We have all heard about the regional spatial strategies, but the regional economic strategies are their precursors. The RSSs are there to deliver in planning terms what the RESs deliver. I suspect very few Members have read, or even heard of, the RES for their own region. That is unsurprising; like the RSSs, the RESs are reflective not of a bottom-up approach, but of a top-down approach.

In my own region of the south-east—where I am asked to believe that the town of Henley has an enormous amount in common with the town of Dover—the concentration of resources on infrastructure has been around the Government's agenda in Kent, whereas places such as Oxfordshire, which is an economic area in itself, have been left out of receiving any investment for many years. Such areas have had to fight to get what is due to them.

I agree that the RDAs have done some good work, but we must accept that most regions are artificial. They are political constructs, and there is no identity with the region. There is quite a lot of academic work on that, including papers by, among others, Hadjimichalis and Hudson, which I recommend to Members. Few regions have longevity or a common identity. The potential exception is the north-east, where there has been some argument for a common focus since the 1930s. The reality, however, is that the boundaries are artificial. Local Government Association research into the trading, travelling and working patterns of the British economy demonstrates that the principal sub-national economic unit is sub-regional, not regional. That was a good piece of analysis. The Labour approach to RDAs has, therefore, been part of the tired centralist agenda. It has ignored natural areas and, arguably, suppressed growth by focusing on a centralist agenda that ignores local flexibilities and opportunities.

Opposition Members tried to suggest that abolishing the RDAs would leave regions and sub-regions in a vacuum, but nothing could be further from the truth. We have proposed local economic partnerships, some of which may, if local councils and businesses wish, have similar configurations to the current RDAs. What is important is to give control back to local councils and business, and to liberate growth and local ideas. That challenge has been welcomed by local councils. I was interested to see press reports of 22 councils in Yorkshire and The Humber agreeing to support local economic partnerships, and, again, the LGA has shown there is huge support for that.

Local government is up for this. My own county has a very good vision of a technology arc from Oxford across to Cambridge. It does not need an RDA—or in this case, two RDAs—to tell it how to do that. There is no better quote with which to end my comments than one from the chairman of South East England Councils, the leader of Kent county council, Paul Carter, who said:

"The future is local. We need to strip away the old bureaucratic, regional structures quickly. Councils"—

in this case in the south-east—

"are ready and willing to take on the role of working with businesses."

I think that is an extremely powerful route to real growth in our local economies.

6.19 pm

Mr David Anderson (Blaydon) (Lab): It is an old but true saying that if we do not learn the mistakes of history, we end up repeating them. For some Members of the House, this discussion is not just theoretical, because we have lived it—our families and our areas have lived it. My grandfather was sacked in 1926 for having the temerity to go on strike. He was blacklisted for eight years and died in poverty. My father was forced to go down the mines in 1935 as a 14-year-old at a time when, he has told me, miners were treated like slaves. People did not march from Jarrow to London just for the fun of it: they did it because the private sector had let them down.

In the 1930s, a miner was killed in the mines every six hours because of the success of the private sector. That was not because there was too much red tape, but because people did not invest in the mines. That is why, at the end of world war two, the people of this country, despite having a GDP-to-debt ratio of 262%—not 62%—did the right thing and threw that Government out. They then built a million houses, created the national health service and nationalised the major utilities and the railways. They did all that right and what was the result? In 1959, the Prime Minister said that this country had never had it so good—that was because of the things that Labour Governments had done in the 1940s and 1950s.

Unfortunately, in the next period there was general consensus in the country on one-nation Toryism. Of course, that was done away with in 1979 when Mrs Thatcher came along. She had a view of one-nation Tories from the Wash southwards and we ended up with people on the dole, mines closed, shipyards closed and steelworks closed. That was said to be a price worth paying only because the people represented by the Conservatives were not paying it. The price was paid by the people of my constituency and those of Scotland, Wales and other industrial areas while the yuppies in London were swanning around in their Porsches, drinking champagne and smoking big cigars. Conservative Members can smile because they were not there, but some of us were, and we were suffering. People struggled and saw communities going down the drain. People were burgled by their neighbours' children and saw drugs in villages where there had been nothing but hard work for two centuries. We saw houses falling down that people had kept going for a hundred years. This is not a joke; it is serious stuff.

[Mr David Anderson]

Hon. Members talk about unemployment—in the constituency where I lived before I became an MP, the highest unemployment rate in the past 13 years has been 7.8%, which is far too high, but in 1986, in the week that the mine I worked in was closed and 721 miners were put on the dole, the unemployment rate was 18.6%. The Conservatives should not come here lecturing us about unemployment when it is just some sort of theoretical debate they have had in the students union.

At the end of the 1980s, the public services were attacked, compulsory competitive tendering was introduced and people were put on wages of £1 an hour. We had a situation where people who had given their lives to organisations such as the health service were told, "We don't want you any more—go and work for Joe Bloggs' cleaning company." People were underestimated and undervalued. The next thing was that the private sector came back in. We gave the utilities back to the private sector and we ended up with a utilities sector that was not fit for purpose. The reality is that we will probably end up with power cuts or running out of gas. Alternatively, we will end up, as the hon. Member for Richmond Park (Zac Goldsmith) suggested when he spoke so eloquently about green issues, being dependent on people like the Russians or the Ukrainians for gas and oil supplies. Why? It is because of lack of investment by private companies.

When Labour came back into power in 1997, we took action and used public money to put right some of those wrongs. We introduced the national minimum wage, we brought in rights for people at work and we introduced good-quality health and safety legislation that saves lives. We introduced regulations that stopped business people from exploiting people at work, and we should never move away from that or apologise for it. We also introduced the regional development agencies, which have not been successful in some regions—it is pointless to pretend otherwise—but the areas where they have been successful are probably those where they are needed more than anywhere else, such as in my region, where the RDA has been very successful. Taking RDAs away will cause a repeat of the past and will be the wrong way to go.

Some people say that we have no choice and that we are all in it together, but we do have a choice. We do not have to follow past accidents: we could introduce a financial transaction tax on the banks, we could take real action to attack tax avoidance and tax evasion, and we do not have to cut corporation tax. I know that it is highly unlikely that the Conservatives will want to do that, because they still want to be the party of business at the helm of the work force, but the Opposition will not stand for it. It is a shame that the hon. Members on the narrow Government side of the House—the Liberal Democrats—are supporting the other Government Members in doing that. They should be ashamed of what they are doing.

6.24 pm

Amber Rudd (Hastings and Rye) (Con): I have noticed this afternoon that there has been a lot of talk about young people in unemployment. Both my hon. Friend the Member for Wirral West (Esther McVey) and the hon. Member for Wirral South (Alison McGovern) were talking about that, and it is a common theme. It is one area that, I know, we all care about so much.

I was talking in Hastings, where we have very high levels of youth unemployment, to a young lady from Tressell training, which is a NEET—not in employment, education or training—college. I asked her what she was doing and she said that she was doing a training course, making a film about BMX bikes. I said, "That's great. Do you do BMX biking yourself?" and she said, "No, I couldn't possibly, because it's dangerous and I'm pregnant." My face fell, reflecting slightly what I thought about that, and she said, "No, don't worry. I know what you're thinking—you're thinking I'm too young but I'm not, because I'm 16 next week." She was reflecting something that we see a lot, and I do not think that it is a problem just in Hastings. A lot of young people are making a choice, because they look at the potential for jobs and do not see that it has anything to do with them.

In Hastings, 43% of the work force are in the public sector. To get into the public sector, people need qualifications. I welcome the comments made by the Secretary of State for Education today about the changes to education and the changes to our schools, which, I hope, will start to work with the lowest achievers and with the people who are struggling most. At the moment, I feel that we have a real problem with the young unemployed looking at the work force—they have no qualifications—and thinking, "That's not for me."

I have a radical proposal that I would like the Secretary of State and the Minister to consider. Instead of people going on to unemployment benefit—instead of their going on to the circuit of jobseeker's allowance, then the flexible new deal and then, sometimes, back again—why not consider putting them on something new, which we could call "Vision for Jobs", to give them purpose, work and training? In the example I am thinking of, people could start at 9 o'clock in the morning and be given two to three days of community service, one day of learning skills and one day of job search. They could be given pride in what they are trying to do by being given a weekly wage. In my vision, this weekly piece of paper would have on the right hand side "35 hours of meaningful work", which would be set out, and—

Mrs Mary Glindon (North Tyneside) (Lab): Will the hon. Lady give way?

Amber Rudd: Yes—actually, no, I will not give way.

On the left hand side, that slip would show what they had received—not just the jobseeker's allowance but the council benefit and any credits that they might receive. Many young people do not know the full extent of the benefits they receive.

I know that such a scheme will be hard to deliver and that it is not straightforward, but I think that the current unemployment benefit system leaves young people to fend for themselves. It does not look after them. We need a new system. I ask those on the Front Bench and the Secretary of State to consider piloting such a scheme in Hastings. I know that he has had conversations with Tomorrow's People and Debbie Scott, and she would be delighted to do that. We could make a change, and start it in Hastings.

6.28 pm

Thomas Docherty (Dunfermline and West Fife) (Lab): I shall be brief, given the time available. May I begin by wishing the hon. Member for Mid Norfolk (George Freeman) all the best? He made an excellent maiden speech and I am sure that he will be a valuable addition to his Front Bench in the not-too-distant future if he continues at that pace of contribution.

In just over half an hour, the House has the opportunity to send a message to the country. On this side of the House, we know that Conservative Members are ideologically driven towards cuts. There is nothing new or fresh about their ideas. This is an opportunity in which they are revelling as they make cuts to programmes and policies that they have never liked and never supported.

Those Liberal Democrats who are sitting alongside their new best friends, however, need to hang their heads in shame. It is interesting to look at the roll of dishonour that lists the names of those Liberal Democrat Ministers who have signed this appalling amendment, which revels in a programme of cuts. Fife, Scotland and the whole of the United Kingdom is watching again and the Liberal Democrats must face up to reality—they cannot cosy up to their Conservative pals for the next five years without realising that the people of Britain will punish them for it at the next general election.

6.29 pm

Helen Goodman (Bishop Auckland) (Lab): I begin by congratulating the hon. Member for Mid Norfolk (George Freeman) on making a most amusing maiden speech. As far as I could tell, its gist was that Mid Norfolk was really big in the middle of the 18th century. I looked at "Dod's" to find out a little more about him, and one of his recreations is hill walking, which is a shame: he will not get many opportunities to do that in Mid Norfolk.

I am proud to have belonged to a Government who decided to support young people through the recession, to have confidence in them, to invest in them and to back them. We knew that unemployment was not a price worth paying. We knew from our experience of the 1980s and 1990s what a scarring effect unemployment has and how the young are worst affected. However, it seems that this Government have learned nothing. Not only are they introducing huge cuts to public expenditure, with massive knock-on effects on private sector jobs, but they are freezing recruitment to the public sector, cutting the number of university places and now abolishing the future jobs fund.

The Tories and the Liberals said in the run-up to the general election that they were backing the future jobs fund and that they would continue with it, so I am sure that many voters will be extremely disappointed by the decision to abolish it. It is notable that not one Liberal Democrat has spoken in the debate. I assume that they are getting rather weary of their rôle as fig leaf to the Government. I am glad to see the Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb) in his place at last, but it is significant that the Liberal Democrats have been unable to face defending the amendment that the Government have tabled.

The Minister of State, Department for Work and Pensions, the right hon. Member for Epsom and Ewell (Chris Grayling) began without any acknowledgement of the fact that we faced the largest global recession since the second world war. He went on to talk about the proposals for the new Work programme, but there remain a huge number of practical questions, which he was completely unable to answer. What will happen in the gap between the time when no more people can be taken on by the future jobs fund and the time when the new scheme is introduced? What will happen to those people whose skills atrophy if they are unemployed? We are talking not just about people's technical skills, but about their social skills, which are important if people are to maintain their morale and get another job.

My hon. Friend the Member for Wakefield (Mary Creagh) spoke about the importance of the private sector retaining its confidence and about the work that the future jobs fund has done in Wakefield, by creating 700 places for young people. She spoke about environmental projects, green businesses, young people learning to make honey and the skills that they were gaining. She pointed out the importance of apprenticeships. The Government keep telling us about the number of apprenticeships that they are creating, while conveniently forgetting that we trebled the number of apprenticeships in the past 13 years. My hon. Friend asked how the national contracts would work and how the providers would bear the risks. They are good questions, and more questions that the Minister was completely incapable of answering.

The hon. Member for North East Hertfordshire (Mr Heald) spoke about the problem of worklessness, the need for greater private sector employment and the importance of technological skills. He did not seem to be able to take into account the fact that the number of people on inactive benefits has fallen by 350,000 in the past 12 years. He did not seem to be aware of the fact that the Office for Budget Responsibility's forecast shows that private sector employment will be lower in each of the next five years than was forecast before the Chancellor's Budget.

The hon. Gentleman went on to talk about the importance of education and technology. I hope sincerely that he has a word with the Secretary of State for Education—he will have an opportunity to do so shortly—about the dire mistake that has been made in the cuts to the Building Schools for the Future programme that were announced earlier this week.

My hon. Friend the Member for Ochil and South Perthshire (Gordon Banks) spoke about the importance of the construction industry. He has a great deal of experience of that, and he talked about how it was a driver for the economy.

Mr Heald *rose—*

Helen Goodman: I am sorry, but I have to respond to 22 Members and I do not have much time.

The hon. Member for South West Norfolk (Elizabeth Truss) spoke about the importance of infrastructure and education spending, and about the great returns that there are from that. I hope that she will have a conversation with her right hon. Friend the Chancellor of the Exchequer and press on him the need to maintain spending on some of those.

My hon. Friend the Member for Newcastle upon Tyne North (Catherine McKinnell) spoke about the issues in her constituency. She reminded the House that

[Helen Goodman]

during the general election the Prime Minister said that he wanted to see cuts in the north. She was absolutely right. It was quite clear that if someone voted Cameron they would get cuts, and if someone voted Clegg they would get Cameron. She pointed out that a third of the workers in the north-east worked in the public sector, and that its efficiency can be improved by having more workers in low-cost areas.

The hon. Member for Wirral West (Esther McVey) spoke about the problem of NEETs and what needed to be done to increase apprenticeships. She spoke about a public-private partnership, which was picked up by my hon. Friend the Member for Wirral South (Alison McGovern), who pointed out that if spending in local authorities is maintained, it might be possible to continue with that.

My right hon. Friend the Member for Tottenham (Mr Lammy) gave a passionate speech about the importance of human dignity in considering all these issues. He also asked a number of questions, to which it would be interesting to hear the answers when the Minister replies—in particular, how many placements has the Minister succeeded in getting for the apprenticeships that Government Members keep trumpeting? My right hon. Friend also spoke about the connection between young people being able to work and the importance of keeping down antisocial behaviour and crime. He pointed to the huge gap between the reality and the Government's rhetoric. We heard it even today in Prime Minister's questions, when the Prime Minister said, in answer to a question from my hon. Friend the Member for Streatham (Mr Umunna), that he wanted a long-term strategy to engage young people. If he wants that, why is he abolishing the future jobs fund?

The hon. Member for Richmond Park (Zac Goldsmith) spoke extremely interestingly about the importance of moving to a low-carbon green economy, and he talked about how that should be done, but he left out one key thing, which is that one of the major barriers is a skills shortage. The future jobs fund had a green strand. Will he please press Ministers to have a green strand in their work?

My hon. Friend the Member for Birmingham, Erdington (Jack Dromey) spoke with huge passion about his constituency and the role of the RDA in the west midlands. I can recall being in Birmingham and finding out about the partnerships that the DWP had with the RDA to build employment in that region. I hope that the Minister will be able to inform the House of what she said about the loss of that partner when her colleagues in the Department of Communities and Local Government came up with the proposal to abolish the RDA.

The hon. Member for York Outer (Julian Sturdy) spoke about the importance of the private sector and the need to see SMEs grow, and I think that the House would agree with that.

My hon. Friend the Member for Blaenau Gwent (Nick Smith) spoke about the need for new jobs in former mining areas. He spoke about the 50th anniversary of the Six Bells tragedy and the huge impact that mining still has on many communities. Hon. Members can come to the miners' gala in Durham on Saturday, where they can enjoy the culture that flowed from the mining communities.

The hon. Member for Truro and Falmouth (Sarah Newton)—she does not seem to be in her place now—spoke about the importance of work and the Marmot report. I hope that Ministers listened to her and will appreciate the severe consequences for people's health and mental health of soaring unemployment.

My hon. Friend the Member for Islwyn (Chris Evans) made a passionate speech about how the Tories treated his constituency in the 1980s and pointed out the great significance of Train to Gain, which is the programme being cut to finance the much trumpeted apprenticeships. The hon. Member for Stourbridge (Margot James) took us back to the 1960s and talked about what she perceived to be the waste in the contracting process. I hope that such waste will be reduced and less money will be spent on contractors in the new scheme that the Government will introduce. My hon. Friend the Member for Wirral South made a wide-ranging speech displaying a great understanding of the constituency she represents. She also spoke about the good work being done by Jobcentre Plus and the threat to the jobs of its staff. She mentioned how foolish that is at a time when these workers are most needed.

The hon. Member for Stratford-on-Avon (Nadhim Zahawi) said that business needs to be freed up. My hon. Friend the Member for Bethnal Green and Bow (Rushanara Ali) spoke about the imbalance between the number of jobs and the number of vacancies, and pointed to the scale of the problems we face. My hon. Friend the Member for Edinburgh East (Sheila Gilmore) made a myth-busting speech pointing out, in particular, that tax credits go to those in work, and help people to finance child care and take jobs. The hon. Member for Henley (John Howell) spoke about the regional development agencies and revealed, I am sorry to say, the complete ignorance of the Conservative party about some of the regions in the north and the significance of the RDAs, and its really foolish decision to take the same approach to the south of the country as to the north.

My hon. Friend the Member for Blaydon (Mr Anderson) made a passionate speech and pointed out that the question of unemployment is not a theoretical one, but about real people and real lives. The hon. Member for Hastings and Rye (Amber Rudd) began her speech with a story about a 16-year-old having a baby and her concerns about it. I wonder whether she has addressed with her hon. Friends the fact that the programmes to reduce teenage pregnancy are being cut. She then talked about her vision and spoke about what she wanted to see—it sounded rather as if she wanted a version of the youth guarantee, albeit a rather bureaucratic version. I point out to her that her hon. Friends have just abolished it. My hon. Friend the Member for Dunfermline and West Fife (Thomas Docherty) also spoke about the great importance of a sensible approach to tackling this problem.

What the Government have done is totally unjust. They are pulling away support precisely at the time of maximum need. Today, we have had a statement from the OECD stating that this is the moment in the recession when it is most important to have properly funded support. That is in addition to statements from local authorities, young people and the voluntary sector. We are seeing the wanton destruction of people's lives. These are not numbers. The abolition of the youth guarantee and the future jobs fund demonstrates how

little the Government care. They do not care about the young man and his partner who want to do their best for their new baby; they do not care about the mother anxious about what is going to happen to her children when they leave school; and they do not even care about the ex-soldier who wants some hope in his life. All those people currently benefit from the future jobs fund. This is why I urge all hon. Members to vote for the motion tonight and to reject the Government's amendment.

6.44 pm

The Parliamentary Under-Secretary of State for Work and Pensions (Maria Miller): I start by commending Labour Members on securing this debate, because it gives us an opportunity to talk about something we think is integral to putting Britain back on the right tracks. It has been an interesting debate, but sadly, that probably has less to do with the quality of the facts from the Front-Bench team, and more to do with some of the theatrics and selective memories that have accompanied them. In the interests of everyone here, I hope that hon. Members will permit me to set the record straight, because we need to be absolutely clear about the legacy left by Labour after 13 years of failed policies.

The spin from the shadow Secretary of State simply does not match the facts. In the real world, almost 2.5 million people are unemployed across our country, and 1.4 million under-25s are not in employment, education or training. Some 2.2 million are currently languishing on old-style incapacity benefits, written off by the system that was designed to help them. Even before the recession, more than 15% of children were growing up in a household where no one worked. Income inequality is now at its highest level since records began.

Yvette Cooper *rose—*

Maria Miller: I hope the right hon. Lady will forgive me for not letting her in, but I want to pay tribute to Members who have contributed to the debate today, as the hon. Member for Bishop Auckland (Helen Goodman) did.

We are now staring down the barrel of the largest peacetime deficit this country has even seen. That is Labour's record loud and clear.

Yvette Cooper *rose—*

Maria Miller: Okay, I will give way.

Yvette Cooper: Will the Minister confirm that the number of children in workless households fell between 1997 and 2010 from 2.3 million to 1.8 million?

Maria Miller: The fact that I would give back to the shadow Secretary of State is that we have the highest number of children living in workless households. If she is proud of that fact, she deserves to be on the Opposition Benches.

It was with some bemusement that I learned that the Opposition wanted to debate employment today, but it has been good to get some of the facts out. We have had a very wide-ranging debate with many thoughtful contributions, and I should like to take some time to pay tribute to those who have made them. First, of course, I have to pay tribute to my hon. Friend the Member for Mid Norfolk (George Freeman), who gave his maiden speech. It was, as I think all Members would agree, a fine, assured speech and in the very best traditions of the House. His constituents have in him a strong voice who clearly understands the issues, and he will certainly find a place here as an advocate of the Norfolk way, turnips or no turnips.

As I said, the debate has been wide-ranging, but my hon. Friend the Member for York Outer (Julian Sturdy) summed it up when he said that this Government have inherited a horrendous financial situation. This is a financial crisis that Labour knew was coming, which was why it had already identified the need for 20% cuts in Government budgets. Yet again, the shadow Secretary of State refused to identify where those cuts were going to come in her Department when she was challenged by the Minister of State, my right hon. Friend the Member for Epsom and Ewell (Chris Grayling). She really will have little credibility until she answers that question—or did she think it would be right to continue to leave this country with the economic instability that debt creates?

The hon. Member for Wakefield (Mary Creagh) made a very thoughtful contribution and spoke at length about the importance of nurturing business, something in which we have a common interest. She was a lecturer at Cranfield School of Management and I worked in business for 17 years. Sometimes, theory and practice can be very different, but we both recognise that confidence is important when it comes to creating a stable business environment. That point was echoed by the hon. Member for Wirral South (Alison McGovern). Such confidence will come if we can show businesses in this country that we have Government debt under control and financial stability, and that we do not have the threat of a hike in job taxes, such as the Labour Government so clearly put forward.

The hon. Member for Wakefield raised a number of questions that I cannot go into in detail on now, but if there is anything she wants me to cover in more detail, perhaps we can speak later. She particularly mentioned Jobcentre Plus staff, and I can assure her that the head count will be reduced by freezing external recruitment and not extending fixed-term contracts when they come to an end.

A number of hon. Members mentioned apprenticeships, which are an important element of our strategy for tackling poverty and worklessness. My hon. Friend the Member for North East Hertfordshire (Mr Heald) talked eloquently about the role of apprenticeships in his constituency, and particularly the business-facing educational institutions in Hertfordshire that are pivotal in delivering the lowest level of NEETs in the country.

The right hon. Member for Tottenham (Mr Lammy) also talked about youth unemployment. I should perhaps remind him that we now have 1.4 million unemployed or inactive under-25-year-olds who are not in full-time education either, which is 250,000 more than in 1997. However, that is an issue we will address. He also talked about apprenticeships, which the right hon. Member for Normanton, Pontefract and Castleford discussed in her speech. She needs to have a bit more faith in British industry. Apprenticeships are at the heart of British industry. There are already 240,000 apprenticeships, and we are talking about raising that by 50,000 among small and medium-sized enterprises. That is an opportunity being delivered by this coalition Government, which I know people in my constituency are crying out for.

[Maria Miller]

My hon. Friend the Member for Wirral West (Esther McVey) also raised the issue of apprenticeships, talking about the importance of getting young people back into work and the debilitating effects of worklessness. I know she will understand the importance of the Work programme in delivering for the people in her constituency.

Emma Reynolds (Wolverhampton North East) (Lab): Will the Minister give way?

Maria Miller: I am sorry—I hope the hon. Lady will forgive me—but we are quite short of time.

My hon. Friend the Member for South West Norfolk (Elizabeth Truss) talked about the role that debt-fuelled growth had played in the past 13 years, and the fact that regional development agencies had not been held to account rigorously enough on the returns they had delivered for the investments made. Those were points that my hon. Friend the Member for Henley (John Howell) also picked out in his thoughtful contribution. He pointed out that the future is local; I absolutely agree.

The hon. Member for Blaydon (Mr Anderson) also talked about regional development agencies. It was refreshing to hear that he understood that they have not always been successful. The hon. Member for Newcastle upon Tyne North (Catherine McKinnell) talked about them as well. Perhaps I might point out to her that over the past eight years since they were created, the imbalance between the regions has got worse. Replacing regional development agencies will give us an opportunity to address that inequality through local enterprise partnerships, regional growth funds and all the policies we have already announced to try to reduce the inequalities that we see between the regions.

We have again had a great deal of discussion today about the future jobs fund, which was raised by the hon. Members for Bethnal Green and Bow (Rushanara Ali), for Islwyn (Chris Evans) and for Blaenau Gwent (Nick Smith). We therefore need to be clear again: we are not, contrary to what Opposition Front Benchers might assert, cancelling the future jobs fund, and they know that only too well. We are committed to delivering on the contracts that have already been awarded, but we will not award more contracts because the facts show that the future jobs fund does not work. It has not delivered the number of jobs it was intended to deliver. I fear that some of those who are crying foul on the issue are perhaps more concerned with putting a positive gloss on their legacy than with helping those who need help most.

The hon. Member for Edinburgh East (Sheila Gilmore) talked about myths, although I would challenge her on that and say that some of the things she talked about tend to fall into the category of myth themselves. After 13 years of Labour, the true fact is that the proportion of working-age people in a job is now lower than it was in 1997, while the figure for those unemployed is more than 400,000 higher. Those are facts, not myths, and I hope she will take account of that in her further contributions in this House.

We have had a number of excellent contributions to the debate. My hon. Friend the Member for Truro and Falmouth (Sarah Newton) talked about the importance of closing the gap in health inequalities. My hon. Friend the Member for Stratford-on-Avon (Nadhim Zahawi) talked about the importance of getting Britain working and the need to streamline benefits. My hon. Friend the Member for Richmond Park (Zac Goldsmith) talked about job creation from green policies in a low-carbon future and intrinsically sustainable employment options, which I know he will champion well.

The hon. Member for Birmingham, Erdington (Jack Dromey) talked eloquently about the important role that manufacturing has to play in this country. As the granddaughter of a skilled tool-room worker from not too far from his constituency—the black country—I understand the passion with which he speaks. Our challenge is to ensure that UK manufacturing is competitive in the 21st century.

My hon. Friend the Member for Stourbridge (Margot James), in her usual eloquent and clear style, spoke graphically of the inflexibility of the employment programmes developed under Labour. I know she will join me in advocating the Work programme for its simplicity and for the support it will give to unemployed people. We have set out a clear plan to get Britain working. The Work programme will replace the hotch-potch of piecemeal welfare-to-work schemes that have so badly let down the hardest to help with an integrated package of personalised employment support.

My hon. Friend the Member for Hastings and Rye (Amber Rudd) advocated a similar approach in her contribution today. Providers will be paid by results, not promises. If they do not deliver people into sustainable work, they will not get paid. This will cut waste, and it will cut failure. No longer will benefit claimants have to wait until an arbitrary period of time has elapsed before they can receive more intensive support. No longer will they be denied the dynamism and ingenuity of private and voluntary sector organisations helping them into work.

Mr Lammy: Will the hon. Lady give way?

Maria Miller: If the right hon. Gentleman will forgive me, I will not as I have only four minutes left and I need to conclude my speech.

No longer will people be forced to turn down work on the basis that they would gain little more from employment. We aim to roll out the Work programme by next summer, and until then the Government will ensure that support is in place for unemployed people.

There has been a great deal of discussion today about the Office for Budget Responsibility forecasts. Again, we need to set the record straight. Growth in employment of 1.3 million is forecast over the next five years because of our plans. That figure is backed by the Chartered Institute of Personnel and Development. The previous Government's plans were unsustainable, but we will ensure that our plans go on to provide more jobs into the future.

These are real measures to tackle systemic unemployment. They tackle its causes, they are efficient, and they are better calibrated towards challenging the indignities of dependency and worklessness. The changes will not be top-down, piecemeal or half-measured, and they will not be characterised by a pilot here or a trial there. The Work programme will be robust and comprehensive—an integrated package tailored to meet

the needs of each person and responsive to their requirements. That is what people who do not have a job and want to work need.

I should like to thank Opposition Members for this opportunity to outline the way in which we will take this country out of the quagmire created by Labour. As my right hon. Friend the Member for Epsom and Ewell said, we have the support of many businesses, charities and providers of support services, as well as of many of those trapped on benefits. We have a governing coalition of two parties, united by our commitment to the role of work in tackling the causes of poverty, and by our deep disappointment with the lack of progress under Labour. This is the Government's plan for jobs and our plan to increase employment. We will get people into work. That is what is good for Britain and for the people of Britain, and I have to say that it is about time too.

Question put (Standing Order No. 31(2)). That the original words stand part of the Question.

The House divided: Ayes 243, Noes 331.

Division No. 15] **[6.59 pm**

AYES

Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Begg, Miss Anne
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Elman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fiello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana R.
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
MacShane, rh Mr Denis
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Mr Alan
Mearns, Ian
Michael, rh Alun
Miller, Andrew
Mitchell, Austin
Moon, Mrs Madeleine
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Singh, Mr Marsha
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Wilson, Phil

Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Woodcock, John
Woodward, rh Mr Shaun
Woolas, Mr Phil
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Mark Tami and
Steve McCabe

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, Mr Gregory
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dodds, rh Mr Nigel
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Hague, rh Mr William
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Horwood, Martin
Howell, John
Hughes, Simon
Hunt, rh Mr Jeremy
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
Maynard, Paul
McCartney, Jason
McCartney, Karl
McCrea, Dr William
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mitchell, rh Mr Andrew
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Newmark, Mr Brooks
Newton, Sarah
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Paisley, Ian
Parish, Neil
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark

Simpson, Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Miss Chloe Smith and Norman Lamb

Question accordingly negatived.

Question put forthwith (Standing Order No. 31(2)), That the proposed words be there added.

Question agreed to.

The Speaker declared the main Question, as amended, to be agreed to (Standing Order No. 31(2)).

Resolved,

That this House welcomes the emergency budget which will tackle the unprecedented legacy of debt over the next five years by reducing borrowing from a projected £149 billion this year to just £20 billion in 2015-16; notes the Office for Budget Responsibility's projection that unemployment will fall in every year of this Parliament as a result of the Government's policies to stimulate private sector employment by reversing the damaging increase planned for employer national insurance contributions, introducing a £1 billion Regional Growth Fund, reducing the corporation and small profits tax rates and increasing the Enterprise Finance Guarantee, resulting in the creation of a projected two million new private sector jobs by 2015-16; further welcomes moves to implement a single work programme that will provide personalised support to help people move into sustained employment, to introduce a £1,000 increase in income tax personal allowances which will incentivise work, to reform the benefits system to ensure that work pays and to provide 50,000 new apprenticeships and 10,000 new university places for young people, thus stimulating growth, delivering jobs and creating a fairer society for all.

Schools Funding

7.14 pm

The Secretary of State for Education (Michael Gove): With permission, Mr Speaker, I should like to apologise to you and to the whole House for the way information accompanying my oral statement on Monday was provided to all Members.

During my statement a list of schools affected by our plans to review capital funding was placed in the House of Commons Library. I wish to apologise to you and to the whole House for not placing that list on the Table of the House and in the Vote Office at the beginning of my statement, as you reminded me page 441 of "Erskine May" quite properly requires. I further wish to apologise for the inaccurate information on the list I was supplied with and which I gave to the House. *[Interruption.]*

Mr Speaker: Order. I apologise for interrupting the Secretary of State. The statement will be heard in silence. That is the way things are done in these circumstances.

Michael Gove: A number of schools were miscategorised, and for that I apologise. In particular, there were schools that were listed as proceeding when, in fact, their rebuild will not now go ahead. That confusion caused Members of this House and members of the public understandable distress and concern, and I wish to take full personal responsibility for that regrettable error.

I also wish to apologise to you, Mr Speaker, and to the House for any confusion over the manner of my apology today and any related media speculation. In responding to press queries earlier, my Department confirmed that I was writing to those affected by these mistakes, and it was my intention then to come to the House with as accurate a picture as possible of the exact errors and to apologise for them. I have placed a revised list of schools in the Vote Office and am writing to all Members affected. I would be grateful if any Members who are concerned that schools may have been wrongly categorised were to contact me personally, so that I can ensure, with them, that the information we have been supplied with is as accurate as possible. Once again, Mr Speaker, I am grateful to you and to the whole House for granting me the opportunity to make this statement and, once again, to apologise unreservedly.

Vernon Coaker (Gedling) (Lab): May I thank the Secretary of State for finally coming to this House to make an apology for the serious errors made in his statement on Monday about the cuts to the school building programme? It is right that he apologising to this House, but he should also apologise to all the pupils, parents and teachers expecting new buildings, who have now had them cruelly snatched away.

The chaos and confusion around this announcement is frankly astonishing. First, during the statement on Monday the Secretary of State had a list of the more than 700 school building projects that he was axing, but no list was available to any other hon. Members during the debate. Does the Secretary of State agree that this must not happen again and that, in any other statement he makes, timely and accurate information will be made available to all hon. Members?

[Vernon Coaker]

We then find out that this list of school projects to be cut by the Government was inaccurate and that schools who thought they were safe have, in fact, lost out. A second list was published on Monday night, followed by a third list yesterday afternoon, and we now believe a fourth list may be coming. A total of 25 schools had wrong information: nine schools previously listed as going ahead have now been told they will be cancelled; seven schools previously listed as unaffected have now been told they are "under discussion"; and five schools which are under review or have been axed were not even on the list at all. These are schools in Sandwell, Northamptonshire, Bexley, Doncaster, Greenwich, Peterborough and Staffordshire. Can the Secretary of State explain how this possibly could have happened?

It is good that the Secretary of State has finally been dragged kicking and screaming to this House to apologise, but the real apology should be directly to the more than 700 communities up and down this country expecting new schools, who now will not get them. The real apology should be to the teachers, pupils, parents and governors from every area who have had the prospect of new buildings and new facilities cruelly snatched away. Will the Secretary of State now apologise to the country for shattering the dreams and hopes of so many pupils and schools across the country?

Michael Gove: I thank the shadow Minister for his questions, and I understand the passion with which he speaks; it is entirely understandable in the circumstances. May I also apologise—quite rightly—to those in the borough of Sandwell and all those other boroughs that were most affected by the inaccurate way in which I made my announcement? I entirely agree with him that it is parents and teachers in those schools, who believed that they were spared and found out 24 hours later that their schools were to be closed, who were the most badly affected. It is their feelings that I am most affected by. He is absolutely right to invite me to apologise, and I am more than happy to underline how sorry I feel towards the parents and teachers involved.

The hon. Gentleman asks me to ensure that this will not happen again. It will always be my aim to ensure that timely and accurate information is provided to the House, and I apologise once again for the inaccuracies in the information given. He mentions that two lists were supplied; they were, indeed. One listing was by local authority and one listing was by parliamentary constituency. We have sought to ensure that the list that is now supplied is as complete as possible and as accurate as possible, and I repeat again that I am apologising to all Members who may have been misled, inadvertently, by the information that was supplied on Monday. For those Members who wish to contact me personally, I hope to be able to talk to all of them and reassure them about the future of the building projects in each constituency affected

Tony Baldry (Banbury) (Con): Does my right hon. Friend find the synthetic anger somewhat sickening? Banbury—*[Interruption.]*

Mr Speaker: Order. I know that passions are running very high on this matter—*[Interruption.]* Order. I certainly understand why, but the hon. Gentleman must be heard, and he will be.

Tony Baldry: Banbury school in my constituency is one of those where my right hon. Friend has had to cut the funding, and, actually, I think that all my constituents understand that, given how the Opposition left the cupboard absolutely bare, it really does not lie in their mouths to complain that we have had to take the action that we have. I have no hesitation or problem in going to the teachers and parents of pupils at Banbury school and explaining the realities of life as they are.

Michael Gove: I am very grateful to my hon. Friend. On Monday I explained to the House why I had to take the regrettable decision that we took. Today is a day for me to apologise for the inaccuracy that accompanied my statement. I am grateful for the generosity of his support, but the important thing that I would like the whole House to appreciate is that I am apologising today, and the only person who should apologise today is me.

Mr Tom Watson (West Bromwich East) (Lab): Mr Speaker, I can assure you that there is nothing synthetic about the anger felt in Sandwell. The pupils in Sandwell have seen what the new politics is: they have seen the attempt to sneak out a half-spun, half-apology on the BBC, and they have seen the Secretary of State come here humiliated for the second time this week to apologise to them. He can embarrass himself, he can disgrace his party, but what is intolerable is that he has cynically raised the hopes of hundreds and thousands of families. You're a miserable pipsqueak of a man, Gove. You have—

Mr Speaker: Order. Before we go any further, I must ask the hon. Gentleman to withdraw the term that I think he used. I think I heard the term, "pipsqueak". The hon. Gentleman must withdraw that term. It is not appropriate—*[Interruption.]* Order. I know what I am doing. Members should leave this matter to me.

Mr Watson: Out of deference to you, Mr Speaker, I withdraw it.

Mr Speaker: I am grateful to the hon. Gentleman.

Michael Gove: I am grateful to the hon. Gentleman for his question; it gives me the opportunity once again to apologise to his constituents and to other parents and teachers in Sandwell for the confusion that was caused by the mistake that I made on Monday. I understand the passion that he brings to the issue, and I understand how hard he fights for his constituents. I shall be very happy to go to West Bromwich and apologise to those who have been misled by the mistake that has been made. I am more than happy to do so. As I said earlier, the mistake was mine and mine alone, and I am happy to acknowledge it.

Bob Russell (Colchester) (LD): I am grateful to the Secretary of State for his statement here this evening, because one school that has been wrongly classified is the St Helena school in my constituency, which by some happy coincidence is the one that I used to go to. However, will the Secretary of State have words with Conservative-controlled Essex county council, which, notwithstanding his statement, still proposes to shut two secondary schools in my constituency? They were

going to be shut if Building Schools for the Future money had been forthcoming. There is no money, but the council is still going to shut them—despite the fact that 96% of my constituents do not want them shut.

Michael Gove: I know exactly what my hon. Friend means; I am very well aware of the situation in Colchester; and I know that the situation to which he alludes is one that now, as a result of the decision that was taken on Monday, we can freely and, I hope, constructively discuss.

Mr Geoffrey Robinson (Coventry North West) (Lab): Is the Secretary of State aware that his statement today will have done nothing to assuage the anger in Coventry at his continued ignoring of the situation in Coventry? I understand that not a single one of its schools, even on the revised list, is to be given the go-ahead. That is a degree of neglect and irresponsibility on his part which, frankly, we did not expect of him.

Michael Gove: I am grateful to the hon. Gentleman for his question. Once again, I expressed my regret on Monday, and I underline it again today, that we are not in a position to go ahead with 50% of the projects under the Building Schools for the Future programme. My reason for coming to the House today was to apologise for the 25 or so schools that were wrongly categorised in the 1,400 or so about which we made an announcement. However, I do understand the particular sense of regret that many—he and his parliamentary neighbours—will feel across Coventry and I am sorry that the decision that I announced to the House on Monday was forced on us because of the regrettable financial legacy that we inherited.

Paul Maynard (Blackpool North and Cleveleys) (Con): I thank the Secretary of State for the clarity that he has provided today on a very thorny issue. Rather than focusing on the synthetic anger of Labour Members, I welcome his offer to apologise to the schools affected, but ask him to ensure that he writes not only to the local education authority but to the individual headmasters. I have spent today on the phone having to deal with disappointed parents and headmasters who are uncertain of what the situation is. I welcome his apologies; can he please ensure that they are transmitted to the headmasters in my area and the other areas affected?

Michael Gove: My hon. Friend makes a very good point; I shall certainly seek to do so.

Fiona Mactaggart (Slough) (Lab): I understand that the Secretary of State has apologised for errors in the list, but why did the list not come to the House in the first place? Was it because he did not think that other Members of this House should see it, or was there some other reason?

Michael Gove: I thank the hon. Lady for her question. No, absolutely not. I wanted to make sure that Members had as much information as possible. In the course of my statement, I outlined the criteria by which I had been guided and the fact that we were going to terminate those projects which had not reached financial close, with the exception of some projects which were at the so-called close of dialogue stage. The fact that the list was placed in the Library, and not on the Table of the House and in the Vote Office, is something that I deeply regret and for which I should like to apologise once more. The hon. Lady's question provides me with an opportunity to say, once again, that I am sorry, to her and to other colleagues.

Nick Boles (Grantham and Stamford) (Con): The whole House welcomes the Secretary of State's gracious apology. However, is not the real deceit the more heinous because it was intentional—the one perpetrated by Labour Members who ran around the country during the election campaign promising school rebuilding programmes that they knew the money was not there to supply? That is a disgrace.

Mr Speaker: Order. Let me say very gently that, in so far as one can hear everything that was said, the hon. Gentleman has made his point, and made it very clearly, but the Secretary of State is not responsible for the policies or for the behaviour of other parties. He might, however, wish very briefly to reply.

Michael Gove: I am sure that the whole House will have heard what my hon. Friend says.

Barry Gardiner (Brent North) (Lab): Does the Secretary of State understand not only the anger but the confusion of the young students from Copland school and Alperton school, who, at the very moment when he was at the Dispatch Box making his original statement, were receiving an award from the organisers of Building Schools for the Future for their contribution to the design of the new schools that they then heard him announce were not going ahead?

Does the Secretary of State also understand that the manner of his dealing with questions on the statement—

Mr Speaker: Order. I have cut the hon. Gentleman off at one and a half questions, but I think we have the gravamen of what he wanted to convey.

Michael Gove: As the hon. Gentleman might know, I have visited Copland school and know that its facilities are less than adequate, so I appreciate the frustration that the staff, pupils and parents of that school will feel. I underlined on Monday the regrettable fact that the economic circumstances that we inherited meant that we could not go ahead as we might have wished with the school rebuilding programme. I also stressed that the manner in which Building Schools for the Future had been organised did not seem to me to guarantee the best value for money. We are reviewing how capital is allocated in order to ensure that we get value for money so that those schools across the country that do need rebuilding and renovation will receive that money in a more timely and efficient manner in future.

Stephen Lloyd (Eastbourne) (LD): To my ears, the Secretary of State's apology is sincere. One school affected is the Eastbourne technology college, which is under consideration. So that I can reassure the head and the staff, can my right hon. Friend give me some indication of exactly the time line for the decision on whether the building will go ahead?

Michael Gove: We hope to make the decision in respect of the school to which my hon. Friend refers before the House rises for the summer, but I will obviously seek to talk to him after this statement in order to clarify exactly the position that his school is in.

Several hon. Members *rose—*

Mr Speaker: Order. Just before there is a growing enthusiasm for participation in the statement—people are standing up who were not standing up before—perhaps I can just emphasise to the House that the statement is about the manner in which matters were handled, and indeed to an extent about the inaccuracy of lists. We are not having a re-run of Monday's statement, when the Secretary of State, if memory serves me, was available for one hour and 20 minutes. We are not going through all of that again.

Several hon. Members *rose—*

Mr Speaker: Order. Questions should therefore relate to matters in the statement tonight.

Stephen Pound (Ealing North) (Lab): I thank the Secretary of State for his dignified statement, and I have a deal of sympathy for him, but may I ask for a little more than sympathy for the people of Cardinal Wiseman high school in my constituency, who have been told that their case for a rebuild under BSF is under further discussion as a sample school? Can he give the House some indication of when he will make a decision on that, because they desperately need to know the facts?

Michael Gove: Ealing is one of those local authorities in that stage prior to financial close called close of dialogue. As the hon. Gentleman quite rightly points out, several schools in each of those local authority areas are called sample schools. Those schools are thought to be in the most urgent need. For that reason, we wish to do everything possible to try to ensure that they will receive funding as quickly as possible. As I mentioned in response to my hon. Friend the Member for Eastbourne (Stephen Lloyd), I hope to be able to provide clarity by the time the House rises for the summer recess.

Chris Skidmore (Kingswood) (Con): I should like to thank the Secretary of State for his apology. I am sure that not one person in the Chamber has not made a mistake at some stage. I also imagine that few in the Chamber would be able to apologise to the House with such dignity and humility, and I thank him for that. However, will he explain the reason for the list that was released, and the reasons for the cuts that we are seeing? The fact is that there simply was no money—it was promised and never delivered. Will he explain why the list was released in the first place?

Michael Gove *rose—*

Mr Speaker: Order. The right hon. Gentleman should sometimes beware the entreaties of his friends, and I know he will be conscious of that. I have just made the point that we cannot rehearse all the arguments behind the announcement. I will leave it to the judgment of the Secretary of State briefly to respond.

Michael Gove: My hon. Friend refers to the list. The list was furnished to me by those involved in the Building Schools for the Future project, but it was my responsibility to check it before it came to the House. I was anxious to do so in as rigorous a way as possible. The fact that the list contained inaccuracies when it came to the House is my responsibility alone. It was for that that I wished to apologise, and I underline that apology thanks to my hon. Friend's question.

Joan Walley (Stoke-on-Trent North) (Lab): Surely the Secretary of State owes the House an explanation as to why he brought wrong information to it. We do not seem to have had such an explanation. Just for the record, given that the list is now elsewhere and not available to hon. Members in the Chamber listening to the statement, could he reassure us about and explain the decision that has been made on the Staffordshire schools?

Michael Gove: I would like to make two points in response to the hon. Lady's question. I sought as quickly as I could to bring to the House a statement explaining the future of Building Schools for the Future. That is why I made the statement on Monday. There had been a great deal of speculation about the future of the project, and to allow it to proceed would have meant that whichever schools were built, unnecessary additional administrative costs would have been incurred. That is why I sought the fullest possible information, and sought to bring it to the House in a statement at the earliest possible stage. I know that the hon. Lady is a Member of Parliament for Stoke-on-Trent. One announcement that I was able to make on Monday was that Stoke-on-Trent, as a local authority that has reached financial close, will see all the schools under Building Schools for the Future rebuilt or refurbished.

Claire Perry (Devizes) (Con): Will the Secretary of State confirm that the other piece of important factual information he presented on Monday, the expansion of the Teach First programme, is in fact accurate, and that the numbers were presented—*[Interruption.]*

Mr Speaker: Order. I am sorry; I respect the hon. Lady's enthusiasm, but the short answer is that the Secretary of State cannot go into that, because it is way beyond the terms of the statement today. If I know the hon. Lady, she will save it up for another day, and we look forward to hearing it on a subsequent occasion.

Glenda Jackson (Hampstead and Kilburn) (Lab): My hon. Friend the Member for Stoke-on-Trent North (Joan Walley) has gone to the heart of the situation, and the Secretary of State has markedly failed to answer her searching question. When the Secretary of State delivered his statement to the House, he presented the image of a man who had spent 24/7 examining the Building Schools for the Future programme and had at his fingertips absolutely every issue relating to it, yet we learn today that he did not have that knowledge. He should apologise to the House for his failure as a Secretary of State, and for failing markedly to be on top of his brief.

Michael Gove: I hear what the hon. Lady says, and I remember also her passionate intervention on Monday. I take note exactly of what she said, and I can only underline again that I apologise for the fact that the information I presented to the House was inaccurate.

Clive Efford (Eltham) (Lab): It is extraordinary how this list was produced and put before the House. Let us recall what happened on Monday: the Secretary of

State was cuddling the list as if it contained secret information, and he slipped bits out only as they were forced from him in response to questions from Opposition Members. Therefore some of us on the Opposition Benches suspect that the Secretary of State knew that the list was not complete and that there were errors in it when he was delivering it in the House—*[Interruption.]*

Mr Speaker: Order. I must ask the hon. Gentleman to resume his seat. I would not want to misunderstand the hon. Gentleman, but I am gaining an impression that he is suggesting that—*[Interruption.]* Order. I am gaining an impression that he is suggesting that the Secretary of State was engaged in a knowing deception. *[Interruption.]* I really do not believe that to be so, and to my knowledge there is certainly no evidence for that, and I cannot have a Member accusing any other Member of knowing deception—of deliberately misleading people—unless that can be substantiated.

Clive Efford *rose—*

Mr Speaker: I think it would be better if the hon. Gentleman left it there, but I will allow him a sentence to try to clarify his position.

Clive Efford: I did say that some of us suspect that that is the case, Mr Speaker, and if you ask me to withdraw that, I will obviously do so, but I think there is something that needs to be investigated further in the way that the Secretary of State treated the House. *[Interruption.]*

Mr Speaker: Order. What I would say to the hon. Gentleman is that I have given a ruling and I think it is a fair one. I asked the hon. Gentleman to clarify his position, but it has not moved me, if I may say so. However, he is a very experienced parliamentarian—he and I came into the House together—and if he wants to table questions or write letters or both, and to engage in all sorts of other activities that satisfy him in relation to this subject, I do not think he will require any encouragement from me to do so.

Michael Gove: In the spirit of the hon. Gentleman's question, I mentioned in response to a previous question that two lists were furnished on Monday afternoon. One list was supplied to Members, which listed schools by constituency, and another, which listed schools by local authority, went on my Department's website. The aim was to be as candid as possible with all the people raising queries about the number and location of affected schools. I had sought to satisfy myself that the list I had was as accurate as possible, and I had ensured that the people who supplied me with it knew the importance of providing accurate information to the House. The fact that inaccurate information was supplied to the House is, however, my fault, and my fault alone. The fact that the information did not reach the hon. Member in the most accurate and timely way possible is my fault, and my fault alone, and I apologise unreservedly.

Mr Andy Slaughter (Hammersmith) (Lab): We must take the apology for what it is, but the Secretary of State must now deal with the consequence of that, which is that he failed to give an opportunity to Back Benchers to question him on the implications of, in the case of my constituents, losing 20 school-building programmes. My constituents go to 20 of these schools. The Secretary of State will remember that he referred to Phoenix school as an excellent school. Its head teacher, Sir William Atkinson, told the *Evening Standard*, "It is devastating news". He has lost £25 million. He has buildings with concrete crumbling, iron pipework that has been fractured, lots of leaks and flat roofs that are leaking. Will the Secretary of State therefore give parliamentary time, or meet me and Sir William and the other heads, to discuss what we do now?

Michael Gove: I am always very happy to talk to the hon. Gentleman and, indeed, to schools in Hammersmith and Fulham.

Derek Twigg (Halton) (Lab): I am sure that the Secretary of State will understand the massive anger in my constituency over what has happened, particularly as the permanent secretary to the Department for Education has now clarified the fact that the money for this programme was there. Is the Secretary of State aware of the following type of error, which happened in my constituency? A school that was proposed for closure was told in the literature given out by his Department that that had been stopped. If that is another error he was not aware of, how many more might still be out there, and what is he going to do about that?

Michael Gove: I am grateful to the hon. Gentleman for making that point. In my statement, I made it clear that I would be grateful if hon. Members would ensure that any information they had that pointed to inaccuracies was put to me, and I am very happy to discuss that. Following the questions and points of order that have been raised by Opposition Members, my Department has insisted on looking at all the information that has been placed in the public domain in order to check it for accuracy. That is why I have come to the House today to make this statement. I believe that about 25 schools were miscategorised. I think that the shadow Minister, the hon. Member for Gedling (Vernon Coaker), indicated in the question that he asked that that was around the figure that he had identified as well. With other schools that were listed, there were clerical errors—for example, the date of opening was not accurately recorded—and for that I apologise.

Ian Mearns (Gateshead) (Lab): I am not really sure about this, Mr Speaker, but is the Secretary of State saying that the list that was put in the Vote Office this afternoon is not accurate? I understand from my hon. Friend the Member for North West Durham (Pat Glass) that a school that is listed as in her constituency actually is not in it.

Michael Gove: It is my belief that the list we have placed in the Vote Office is accurate. I know that there was particular confusion regarding schools in Durham in the first list that was issued on Monday, but we have sought to clarify that and I believe that it is now correct.

Mr Speaker: I am grateful to the Secretary of State and to all hon. and right hon. Members for their co-operation.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

EMPLOYMENT AGENCIES, ETC.

That the draft Conduct of Employment Agencies and Employment Businesses (Amendment) Regulations 2010, which were laid before this House on 23 March 2010, in the previous Parliament, be approved.—*(Mr Goodwill.)*

Question agreed to.

BUSINESS OF THE HOUSE

Motion made,

That, notwithstanding the practice of the House as to the intervals between stages of Bills brought in upon Ways and Means Resolutions, more than one stage of the Finance Bill may be taken at any sitting of the House.—*(Mr Goodwill.)*

Hon. Members: Object.

Mr Speaker: Mr Mark Williams will now present a public petition. *[Interruption.]* Just before Mr Williams gives the detail of his petition, I appeal to hon. and right hon. Members who are leaving the Chamber to do so quickly and quietly, because we want to hear what he has to say.

PETITION

Blockade of Gaza

7.42 pm

Mr Mark Williams (Ceredigion) (LD): I have a petition on behalf of Mrs Elizabeth Morley and other constituents from Ceredigion on the subject of the Israeli blockade of Gaza.

The petition states:

The Petition of the people of Ceredigion,

Declares that the Petitioners believe that the Government should take all actions within its power to end the blockade of Gaza.

The Petitioners therefore request that the House of Commons urges the Government to condemn the blockade on Gaza and Israel's attack on peace activists in international waters; and urges the Government to demand of Israel the release of all activists detained and to urge all international institutions, including the UN, the EU and human rights agencies and organisations to work towards ending Israeli impunity.

And your Petitioners, as in duty bound, will ever pray.

[P000842]

British Waterways

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Goodwill.)*

7.43 pm

Tristram Hunt (Stoke-on-Trent Central) (Lab): Thank you for allowing this Adjournment debate, Mr Speaker, on the future of British Waterways. May I also thank the waterways Minister for his presence here tonight?

This topic might seem a rather limited one, of interest only to narrowboat enthusiasts, barge owners, dog walkers and lock-keepers, but it is of profound importance not only for canal-side communities in villages, market towns and cities across the country, but for the intellectual validity of this Government. For what we have before us tonight is a test case for the big society in action. That, in case you missed it, Mr Deputy Speaker, is the Conservatives' big idea: a commitment to society, not the state, and to people power, not market dogma. My message to the Minister is very simple: we are here to help him. As he begins his grand battle with the Treasury on the future of British Waterways, I want him to know that he has my support against the plunderers and privatisers who work alongside him.

We are an inland nation as much as an island nation; a country shaped as much by our great rivers and historic canals as by our by encircling seas. Take, for instance, my own wonderful constituency of Stoke-on-Trent Central. In Simeon Shaw's 1829 classic, "History of the Staffordshire Potteries", he writes of how

"in the vale below Burslem, July 26, 1766, the first clod was cut of the Trent and Mersey Canal, by the late Josiah Wedgwood, Esq., then recently appointed Potter to the Queen Consort of George III."

Wedgwood's interest in canals was driven by profit rather than pleasure. He had already petitioned this place in 1763 for a new system of turnpike roads to allow for the easy carriage of the raw materials needed for his Etruria pottery works as well as the safe delivery of his finished ceramics, but still the road network let him down. So in 1765 he personally subscribed £1,000 for a new canal to connect the Trent with the Mersey and to allow his firm to export both nationally and internationally. The great engineer James Brindley was commissioned for the task and soon his entire network of canals criss-crossed the country, with Staffordshire as their box junction.

To allow for the transport of limestone and coal into Stoke-on-Trent, a new canal was added—the Caldon canal—that stretched from Etruria up into the surrounding moorlands. All that underpinned the boom days of the Potteries. "Pro patria populoque fluit"—it flows for country and people—was the Trent and Mersey's motto, and the money certainly flowed for Wedgwood.

No wonder the great Adam Smith felt moved to praise canals for

"diminishing the expence of carriage",

and putting

"the remote parts of the country more nearly upon a level with those in the neighbourhood of the town".

As a vehicle for the investment of new provincial capital flows and for easing the transport of goods, canals were an essential feature of the first industrial revolution, but by the 1840s, the canal boom had given way to railway

mania. Indeed, the consequence of rapid urbanisation and industrialisation meant that the canals and waterways of Britain were soon in danger of becoming open-air sewerage systems.

In 1847, the Scottish novelist Hugh Miller described the Irwell in Salford as

"a flood of liquid manure, in which all life dies, whether animal or vegetable, and which resembles nothing in nature, except perhaps the stream thrown out in eruption by some mud-volcano."

My old friend Friedrich Engels was equally disparaging about the state of Manchester's Irk,

"a narrow, coal-black, foul-smelling stream...out of whose depth bubbles of miasmatic gases constantly rise and give forth a stench that is unbearable."

Railways took over from the canals, canal companies went into liquidation or were run down by railway owners, and local authorities declined to pay for canal upkeep.

Roger Williams (Brecon and Radnorshire) (LD): I understand the hon. Gentleman's general point about railways taking over from canals, but does he accept that because the Glanusk estate refused to have the dreaded railway across their land, the Mon and Brec canal persisted for a lot longer than most canals?

Tristram Hunt: I take the hon. Gentleman's point. I bow to his superior knowledge on the specificities of that point and I agree with it. However, there was a broad concern about the control railways had over canals in the late 19th century, which led to their being run down and to a collapse in infrastructure. Tonnage levels fell, canal miles collapsed and locks crumbled.

Eventually, the tide turned. The first stirrings of preservation can perhaps best be traced back to L. T. C. Rolt's masterpiece, "Narrow Boat", which described a journey taken in 1939 and expressed a terrible fear that

"if the canals are left to the mercies of economists and scientific planners, before many years are past the last of them will become a weedy, stagnant ditch, and the bright boats will rot at the wharves, to live only in old men's"—

and we should add women's—

"memories".

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): My hon. Friend speaks eloquently about the history of canals. Does he not agree that the Olympic legacy in east London involves a future for our waterways and that the future of British Waterways, among other bodies, is therefore very important in ensuring that the renaissance of canals continues into the next century?

Tristram Hunt: I absolutely agree with my hon. Friend, and I do so as I shunt towards the future and get away from the past. Having seen the Prescott sluice along the Lea valley, I know the wonders of the valley.

Unfortunately, in the mid-19th century, the Government failed to rise to the task of looking after the future of the waterways. A cash-strapped British Transport Commission could not provide the investment needed to open up the waterways and still focused on freight traffic, rather than on the leisure potential of the waterways. Only with Barbara Castle's great Transport Act 1968 was British Waterways given a specific mandate to focus on exploiting the enjoyment potential of our rivers and canals. Since then, of course, the transformation has been dramatic. All hon. Members will have witnessed in our constituencies the transformation in water quality and amenities brought about by the new British Waterways strategy. In Stoke-on-Trent, the Caldon canal has been rescued from closure and now provides a stunning route from the urban gothic of the Potteries to the stark beauty of the Staffordshire moorlands. Indeed, we even have our very own Hanley regatta based on the canal.

By the early 2000s, some 200 miles of new and restored waterways were added to the 2,000 mile network—a faster expansion than at the height of the industrial revolution. Moreover, we now have an unprecedented 34,900 licensed boats on the network and some 11 million people visit its waters and banks every year. According to Her Majesty's Treasury, out of the £330 million total value of inland waterways managed and owned by British Waterways, the amenity and recreational use amounts to £230 million and the use for freight £700,000—but that £700,000 is not to be sniffed at, and it was with great pleasure that we learned that Tesco has begun to move much of its wine stock by canal.

Yet a revived canal network has also proved a highly effective vehicle for some £10 billion-worth of urban regeneration. Whereas once we in this country sought to deny our industrial inland heritage, with buildings jutting up to the canal edge, offering no space for waterside walks or civic space, canals are championed today as placemakers and urban signifiers.

Claire Perry (Devizes) (Con): I am grateful to the hon. Gentleman for bringing such a fascinating topic to the Floor of the House. I am delighted to listen to the eloquent things that he says about the value that canals bring to our localities. In my case, the Kennet and Avon is the longest in-water canal in the country—if I may make that proud boast—but I submit that its restoration had much to do with the volunteer activity of the Kennet and Avon Canal Trust, plus a hefty dose of lottery money, delivered not coincidentally under the last Conservative Government. Of course, British Waterways had a part to play in that, but it is much more a reflection of the local love, enthusiasm and energy that the volunteers in my constituency feel for such an important asset.

Tristram Hunt: I am in full agreement with the hon. Lady. The wonder of canals is the civil society, the volunteering and the ethos around them. I was a trustee of the Heritage Lottery Fund in a previous life and followed with interest the Kennet and Avon's progress. We have seen in all sorts of communities along the Kennet and Avon the regeneration aspects brought by canals.

Sir Peter Soulsby (Leicester South) (Lab): I congratulate my hon. Friend on bringing this important issue before the House. Does he agree that British Waterways has had most success in promoting regeneration when it has brought its own property, land and buildings to the table with partners and has led those partnerships, and that, if it were to lose control of that property and land and those buildings, it would be very much enfeebled in its ability to promote regeneration?

Tristram Hunt: I am in full agreement with my hon. Friend, who brings me to the dark spectre of Her Majesty's Treasury, which is where we fear that forces

[Tristram Hunt]

are at work that want to access that property in not the most progressive manner. The capacity of British Waterways to use volunteering, to bring in all sorts of other funders and to have that property asset inspires regeneration.

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): I am grateful to my hon. Friend for the way in which he is introducing the debate. As a former waterways Minister, may I tell him that what is striking is the nature of the cross-party consensus in respect not only of canals as a vital part of our heritage, which he has illustrated so well, but of their importance to tourism, regeneration and the environment? Will he invite the Minister to embrace the proposal made in the last Parliament to create a national trust for canals, to secure their long-term future and viability, using the assets to which he refers for the benefit of the long-term future of the canal network and therefore balancing the strengths of the system with the resources to deal with the repair and maintenance requirements, without which the canals will not be much of a heritage for long?

Tristram Hunt: I am in full agreement. First, I would like to say what the Minister should not do, which is listen to the Adam Smith Institute, which is keen to privatise British Waterways, and in the process hopes to realise £400 million—a rather low price, I think, for the centuries of heritage as well as the property assets.

There is no doubt, however, that a change in governance is needed. Currently, the nation is underspending by around £30 million a year on its waterways, and, in the words of the British Waterways chairman,

"without the required spend on canal maintenance and repairs the overall physical state of Britain's waterways will once again go into decline."

As my right hon. Friend makes clear, the Labour party fought the last general election on precisely that message of reform.

In December 2009, the then Government published details of its asset portfolio and promised

"to consider alternative models for the British Waterways business as a whole, such as mutual or third sector structures."

That is what my right hon. Friend has described as the National Trust model, whereby British Waterways' property endowment will be placed in a charity-locked mechanism to fund future maintenance. But this means more than just establishing an effective financial footing. It also means mutualising the governance system by extending democratic control to waterway licence holders, employees, volunteers, partner organisations such as local charities and the lottery, as well as members of the general public. That third sector model will give energy, activism and public buy-in to the sector. We in the Labour movement call it the co-operative principle.

So it was with great delight that I read in the coalition agreement that the Government

"will support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services."

I was equally impressed by the Minister's statement on 21 June where he highlighted the role of civil society in creating what the Government call the big society, and his commitment to look at a third sector model for the future of the waterways.

Meg Hillier: Does my hon. Friend, like me, tremble at the thought of the alternative to the model that he proposes—that this asset will be sold off and thereby, once and for all, be out of public control and away from where it should be, which is in the hearts of the public?

Tristram Hunt: I am in full agreement. We do not know what would happen were British Waterways to be privatised, in terms of fees, uses and common access, and that sense of heritage, of a past coming down to us. The worry is that the Minister has decided to take no decisions until after the forthcoming comprehensive spending review. My worry is that by the time we reach the CSR, his colleagues in the Treasury might have decided that flogging off the property portfolio was too good an opportunity to miss. We might find ourselves in the awful position of watching the Chancellor stand at the Dispatch Box and sell our national heritage down the proverbial Kent and Avon, in the classic Treasury manner of knowing the price of everything and the value of nothing.

Chris Heaton-Harris (Daventry) (Con): In my constituency, I have a huge swathe of the Grand Union canal, with fantastic marinas such as Braunston and a huge interest of the populace, who spend much of their leisure time around the canals. Given the hon. Gentleman's analogy that the dark spectre of the Treasury is lurking all around, will he remember that in the dark days of the last Labour Government, when European fines were levied on the Government, money was moved away from the British Waterways budget into other areas to cope with that funding black hole? I would like to think that there is definitely cross-party agreement on the idea of mutualisation in the future.

Tristram Hunt: The hon. Gentleman confirms the point that the traditional model of funding is really no longer credible, not least under this Government's rather aggressive approach to the public finances.

I agree with the hon. Gentleman that we are in some form of agreement, and that is why we have come together this evening to support the Minister in his lonely pilgrim's progress against the big beasts of Whitehall. He might call it the big society, we might call it the co-operative spirit, but what we must seek to establish is a modern national trust for British Waterways, and a financially secure, democratic and sustainable future for the inland waterways that made our wealth and now help to shape our national identity.

8 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): I congratulate the hon. Member for Stoke-on-Trent Central (Tristram Hunt) on securing this debate. After such a tense afternoon in the Chamber, it is nice to be able to find a subject on which there is a large degree of agreement across the House. He is well known for having a keen interest in the heritage and history of this country, and I also know that he combines this passion with representing with pride the constituency that has more miles of canals than any other in England. I take similar pride in the canal—the Kennet and Avon canal in west Berkshire—that runs in part through the constituency I have the honour of representing. I am

old enough to remember when it was in large parts just a ditch. It was restored with the hard work, love and what the Americans call emotional capital of local people, with the backing of British Waterways and lottery money, as my hon. Friend the Member for Devizes (Claire Perry) pointed out. That has created an asset of unique value.

The hon. Gentleman talked about the added value of the canals. We must not be concerned purely with quality of life and recreational value; they are of course a financial asset because of what they provide through tourism and the local economy, particularly in rural areas such as mine. The hon. Member for Hackney South and Shoreditch (Meg Hillier) attends debates on these matters assiduously. She feels passionately about the Regent's canal, just as so many of us feel passionately about our local canals. I have learned from the canal in her part of London the ability of canals to unlock regeneration, and to be a focal point for the local community in a way we cannot just ignore.

Jeremy Lefroy (Stafford) (Con): I am sure that the Minister agrees that the 23 canal reservoirs up and down the country are also of enormous value to this country. Many of them provide excellent wildlife reserves and, hence, recreation, and are assets for our tourist industry.

Richard Benyon: My hon. Friend touches on a very important point. Sir John Lawton is about to report on work commissioned by the last Government that this Government firmly supports. It examines the coherence between different natural sites around the country, and looks into corridors of biodiversity that can flow and allow species to increase in population in different parts of the country. Canals are a vital link in our natural environment, and I am keen during my tenure in this post—however long it lasts—to bang that drum as hard as I can.

I do not care whether our modern canals structure is based on the writings and teachings of Friedrich Engels and is considered part of the co-operative movement, or whether it can be considered the inheritance of Edmund Burke and his little platoons. What matters is that canals are properly managed and have a sustainable long-term future.

I shall do my best to deal with many of the points raised by the hon. Member for Stoke-on-Trent Central and others. However, I would caution him on his view of the Treasury. In my experience, it consists of cuddly souls, warm-hearted and full of understanding on these matters. I do not share his deep pessimism.

Alun Michael *rose—*

Richard Benyon: I am glad to give way to the chairman of the all-party group on waterways.

Alun Michael: The Minister has an almost unique experience of the Treasury. However, I encourage him to make the case that a model that engages the public and makes them feel a part of the ownership and running of the canals might make sense financially to the Treasury, too.

Richard Benyon: I am delighted that the right hon. Gentleman is in the Chamber for the debate, as he is a notable chairman of the all-party group through which I hope we can continue these debates. I hope that what I am about to say will satisfy his concerns, if I have the time.

I am well aware of the concerns of Members from all parties about the future of British Waterways. I made a statement to the House on 21 June in which I explained our intention to move British Waterways to the civil society, subject to the outcome of the spending review. I again had the opportunity to set out the Government's position to the hon. Member for Stoke-on-Trent Central and others during oral questions two weeks ago, and I welcome this further opportunity.

I fully understand the important role that volunteering and the civil society have played over many years. Volunteering on the waterways has a long tradition, and many enthusiasts give freely and generously of their time to help re-create and restore our waterways. Without that, many historic canals would no longer be in operation and the network that we have today would be much poorer for it. I firmly believe that civil society has a valuable role to play in delivering public services, and as I recently announced, we will therefore continue to look in detail at such a model for British Waterways. As the hon. Gentleman pointed out, that is a good example of the big society we are trying to create.

I assure hon. Members that that would not be a privatisation of British Waterways. I hope the hon. Gentleman and others will get the message across to some of their colleagues on the Opposition Benches that that is not what we are about. We want a mutualised product for the waterways, dependent on three clear objectives. First, it must have a clear purpose and robust governance arrangements that protect waterways assets and the public benefits that they bring, both now and in the future. Secondly, it must ensure that all users, local communities and other stakeholders can hold the new body to account. Thirdly, it must ensure that the waterways are placed on a more sustainable footing for the longer term while reducing the ongoing cost to the taxpayer.

Roger Williams: I am very encouraged by the positive way in which the Minister is responding to the debate. I can see how such a model can deliver sustainable maintenance of the waterways, but on the Monmouthshire and Brecon canal, for example, we had a breach that cost £1 million to repair. How would such a model deal with those emergency situations?

Richard Benyon: I was shown a photograph of that breach by the chairman of British Waterways at my meeting with him last week. It is expensive to maintain the waterways, and I hope that what I am about to say will show that we can provide the means to ensure that whatever organisation emerges has access to funding—probably never enough, but at least enough to deal with major problems such as that.

Sir Peter Soulsby: I very much welcome what the Minister is saying about the future of British Waterways, but does he accept that if it is to have the sustainable future that he talks about, it is vital that it takes with it its assets and its current property, and that they are not ripped out by his friends in the Treasury before the transfer takes place?

Richard Benyon: I am conscious that this will not work unless that happens. The scale of that asset transfer is probably above my pay grade, but I am absolutely conscious that it has to be done in a way that enables the organisation to operate just as any other organisation of the type I am about to describe could. That is absolutely vital and a given.

As part of that work, we are considering including the Environment Agency's navigations. I have an open mind on that and want to understand the pros and cons, but my initial view is that it, too, might be suitable for a civil society rather than a Government body to run. That would help to ensure that we had a coherent vision for the main inland waterways of England and Wales.

I know from meetings I have already had with waterways stakeholders that they have concerns, which they have expressed passionately, about two questions: what will happen to British Waterways' property assets—the point just made by the hon. Member for Leicester South (Sir Peter Soulsby)—and can they influence decisions on the governance model of any new body? It is clear that British Waterways would need to retain its property assets for a viable civil society model. On the second issue, much work has yet to be done on the appropriate governance structure. One model is for a national charitable trust. I recently received a letter that was co-signed by a number of representative waterways bodies, including the Inland Waterways Association and the Angling Trust. The letter welcomed such a model, subject to decisions on governance arrangements and the level of ongoing Government support.

I know that there is some nervousness about the prospect of change and what it might mean for those with particular interests in the waterways.

Meg Hillier: I do not wish to detain the Minister, but having been a Minister seeking advice on setting up social enterprise mutuals and the like, I would caution him to be alert to any advice that he might receive from within the civil service about setting up a mutual. I would also ask him where else he might be seeking advice from, because it is important that any model be properly drawn up.

Richard Benyon: I am grateful to the hon. Lady, who is absolutely right. It is vital that we are extremely careful to ensure that we receive the best advice and get the correct model. I can assure her that officials in my Department are working hard on the issue and are committed to it, although we shall have a difficult time ahead with the comprehensive spending review, which I shall talk about in a moment.

We would have to have a completely new board or council that would shape its own future. It would not be British Waterways by another name, but a new structure, in different hands altogether. We do not aim to impose a particular model for a new civil society body, so we will work up different options in partnership with stakeholders, through workshops, forums and other engagement mechanisms. It is vital to understand the views of all interested parties if we are to reach a successful conclusion to our work on an alternative model for the future management of our waterways. As part of that engagement, I am considering a suggestion recently made to me to include representatives from waterways user groups on the current British Waterways board. We need to be ready for the big change in culture involved in the possible move to civil society.

As the House will be aware, very tough decisions need to be made in the coming months that will affect public expenditure for the next four years. That will inevitably affect the resources available for inland waterways spend in British Waterways and the Environment Agency.

Finally, let me make it clear that I believe strongly that the inland waterways are a vibrant resource that can provide a wide range of benefits and opportunities for individuals and communities across the country. Although we may find ourselves in extremely challenging times for public investment, in the longer term, the potential of our waterways can and will be realised if we all embrace the possibilities at all levels. I believe that moving British Waterways out of Government control to civil society has the potential to make a significant and innovative contribution to the long-term sustainability and resilience of the waterways, by providing additional income and greater engagement of all users, volunteers and local communities in waterways management. We will therefore be exploring all possibilities—

8.13 pm

House adjourned without Question put (Standing Order No. 9(7)).

House of Commons

Thursday 8 July 2010

The House met at half-past Ten o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

BUSINESS, INNOVATION AND SKILLS

The Secretary of State was asked—

Inward Investment (North-west)

1. **Mark Menzies** (Fylde) (Con): What steps he plans to take to encourage inward investment to the north-west. [6678]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): UK Trade & Investment works with local partners to support inward investors, and in 2008-09 it helped to create or safeguard more than 10,000 jobs in the north-west. The Government intend to publish a White Paper later this year, which will provide more detail on how inward investment can best be supported by UKTI and the Government as a whole.

Mark Menzies: I thank the Minister for his answer. I am sure that many businesses in Fylde will welcome his response. In his recent speech, the Chancellor of the Exchequer said that Britain was open for business. Can the Minister give an example of a business that is taking that on board?

Mr Prisk: That is an excellent question; let me give an example. The Chancellor's decision to simplify and reduce corporate tax rates will directly help to attract more investment. Indeed, by 2014, this country will have the lowest corporation tax rates of any major western country. That is good for investment and good for jobs.

Derek Twigg (Halton) (Lab): Is the Minister aware of the huge Mersey Gateway project in my constituency to build a second bridge across the Mersey? Independent examination shows that it would probably create 4,000 to 5,000 new jobs as well as hundreds of construction jobs. Will he remind the Transport Secretary of the importance to inward investment and jobs of that project, which is currently postponed, pending review?

Mr Prisk: I am more than happy to talk to my right hon. Friend the Secretary of State for Transport. The hon. Gentleman is right that in order to encourage investment we need to look at longer-term projects, and investment is an important part of that.

Gordon Henderson (Sittingbourne and Sheppey) (Con): Does my hon. Friend accept that there are constituencies in the south-east that face economic and regeneration challenges as great as those elsewhere in the country? Will he—

Mr Speaker: Order. I am sorry, but I must explain to the hon. Gentleman that the question specifically relates to the north-west and that although other parts of the country might share similar concerns, they are not relevant to this question. We all get used to these things; I have made these mistakes myself, I assure him.

Roberta Blackman-Woods (City of Durham) (Lab): The Minister will know that businesses in the north-west are very concerned about the loss of investment that could result from the abolition of the Northwest Regional Development Agency. Will he answer a question that I asked a few weeks ago? Is the £1 billion of additional growth money from the regional growth fund in addition to or instead of money that has already been allocated to RDAs and local authorities for economic growth?

Mr Prisk: The regional growth fund is entirely separate from the RDA changes. We are keen to strengthen local economies, hence our move on local enterprise partnerships, but the regional growth fund will bring £1 billion to the hon. Lady's region and the other selected regions. It will start in 2011 and I think it is good news.

Business Support (Wales)

2. **Jonathan Edwards** (Carmarthen East and Dinefwr) (PC): When he last met the Deputy First Minister in the Welsh Assembly Government to discuss policy to support businesses in Wales. [6679]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): As I gallop to Wales from the north-west, let me make sure that I give the hon. Gentleman the right answer.

My right hon. Friend the Secretary of State has not yet had the opportunity to meet the Deputy First Minister to discuss business support in Wales, but, as the hon. Gentleman will know, business support is a devolved activity.

Jonathan Edwards: I am sure that the Minister would like to join me in congratulating the One Wales coalition in Wales on reaching its third anniversary this month, with the Deputy First Minister's Department having developed innovative strategies such as ProAct and ReAct. The Department is also publishing, this week, its new economic renewal programme, which focuses efforts on improving business infrastructure, such as broadband provision, in Wales. Will the Minister make representations to his colleagues in the Department for Culture, Media and Sport to ensure that the money that would have been spent for the benefit of Wales, through the independently funded news consortiums pilot, is released directly to the Welsh Assembly Government to help them to achieve their broadband objectives?

Mr Prisk: The economic renewal programme, which I have had an opportunity to look at, has considerable merit, not least because it moves away from the tinkering and meddling of the last Labour Government and

towards infrastructure. Broadband investment is very important and the Ministers who deal with broadband will have heard his representations. The issue is important and we want to act on it promptly.

Sheffield Forgemasters

3. **Mr Clive Betts** (Sheffield South East) (Lab): What factors he took into account in deciding to withdraw the £80 million loan facility to Sheffield Forgemasters. [6680]

The Secretary of State for Business, Innovation and Skills (Vince Cable): The decision not to pursue the loan was taken on grounds of affordability.

Mr Betts: Will the Secretary of State withdraw the entirely false accusations that were levelled at Graham Honeyman, the chief executive of Sheffield Forgemasters, that he was not prepared to sell any shares in the company? The reality is that the loan facility went alongside a private finance package involving equity release. What Graham Honeyman and the workers, 65% of whom own shares in Forgemasters, did not want to do was sell the company off to an absentee owner, given that they had rescued it from an absentee owner and near-bankruptcy in 2005. Will the Secretary of State withdraw the accusations against Graham Honeyman and recognise that he has resurrected that company and that it would do even better in future if it had the loan alongside a package involving equity release?

Vince Cable: The Government's decision has absolutely nothing to do with the issues that the hon. Gentleman has raised. We regard Mr Honeyman and his team as having produced an excellent project. We have no criticism of him or the company. Officials in the Department are now working to try to help to achieve a private sector solution.

Miss Anne McIntosh (Thirsk and Malton) (Con): I yield to no one in my admiration for Graham Honeyman, having visited Sheffield Forgemasters when I was shadow Minister following the floods that devastated the company. However, will my right hon. Friend explain why, of all the grants and loans issued by Yorkshire Forward, north Yorkshire gets less than the 11% share to which it would be entitled and—

Mr Speaker: Order. That is wide of the question. The short answer is no, Secretary of State.

Miss McIntosh *rose—*

Mr Speaker: Order. It is wide, and that is the end of the matter.

Mr Betts: On a point of order, Mr. Speaker. Given the unsatisfactory nature of the reply, may I indicate that I would like to seek to raise this matter on the Adjournment at a further date?

Mr Speaker: The hon. Gentleman has done so and that is perfectly in order.

Manufacturing Industry Investment

4. **Mr William Bain** (Glasgow North East) (Lab): What recent assessment he has made of trends in levels of investment by manufacturing industry; and if he will make a statement. [6681]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): In 2009, the volume of manufacturing investment in the UK declined by 21%, the largest annual fall on record, and it declined in 10 of the last 11 years. This Government believe that that trend can be reversed. In developing our plans to rebalance the economy, we are keen to ensure that we provide the best long-term environment in which manufacturing can grow.

Mr Bain: I am grateful to the Minister for that reply, but will he reflect on the comments from the Institute for Fiscal Studies and the manufacturers' organisation the Engineering Employers Federation that the biggest beneficiaries of the Government's changes to capital and investment allowances and corporation tax are low-investment and high-profit firms—

"Banks and supermarkets rather than manufacturers",

as the IFS put it? What practical help can the Minister offer to manufacturing industry today?

Mr Prisk: I must correct the hon. Gentleman and give him the facts. We have had to reduce capital allowances to enable us to fund the corporate tax cuts, but the net result of the changes is that manufacturing—and not the industries to which he referred—will still be better off. Indeed, by 2014-15, it will be better off by £250 million per annum. I think that that is a very good policy, although I detect that the Labour party may now be opposed to it.

Lorely Burt (Solihull) (LD): We accept that the coalition Government have put many good things in place to help industry generally, but I have a specific question about manufacturing. Will the Minister say whether the Government are planning any particular help for manufacturing to restore it to its rightful place, which is leading the world?

Mr Prisk: Indeed we are, and our plans include the changes to corporation tax that mean that manufacturing industry is better off by £250 million, the reduction of the burden of red tape and the removal of many regulators, and the £150 million that has been set aside to fund up to 50,000 more apprentices. The Government's stronger long-term approach contrasts with the pick 'n' mix tactics and the tinkering and meddling that we had from the last Labour Government.

I remind the House that manufacturing investment declined in 10 of the last 11 years. That is the record of the Labour Government, and Labour Members should be ashamed of it.

Mr Pat McFadden (Wolverhampton South East) (Lab): I want to return to the issue of capital allowances. The Minister and the Secretary of State have said that they want to rebalance the economy, but the Budget proceeded

with plans to cut £3.1 billion from capital allowances and the investment allowance by 2013. The IFS has said that

"cutting capital allowances is not a good way to raise money because they are an efficient way to promote investment".

In addition, the Engineering Employers Federation has said that the cuts

"make the investment needed to rebalance the economy more expensive".

Labour's Budget in March doubled the investment allowance for manufacturers, but this Government have cut that by 75%. We are all saying that we want to rebalance the economy, so how can the Minister justify these cuts of £3 billion a year in our support for manufacturers?

Mr Prisk: As I told the hon. Member for Glasgow North East (Mr Bain) earlier, the net balance is that manufacturing will be £250 million better off. That is the point. The right hon. Gentleman refers to the annual investment allowances but, even after these reforms take effect, the vast majority of businesses—over 90%—will still have all their investment costs covered by the Association of International Accountants. The key point is that the record of the Labour party is one in which manufacturing investment declined in 10 years of 11. We are changing that environment by taking the long-term approach. Is the hon. Gentleman proud of his record of investment down and jobs cut? Is he proud of that?

Further Education Funding

5. **Geoffrey Clifton-Brown** (The Cotswolds) (Con): What the eligibility criteria will be for further education colleges for funding from the recently announced renewal and enhanced renewal grant schemes. [6682]

The Minister of State, Department for Business, Innovation and Skills (Mr John Hayes): The additional investment in further education college infrastructure that we announced on 24 May will be used to support further education institutions to develop the best facilities possible and will be prioritised to support colleges that have yet to benefit significantly from the college building programme. As I announced on 21 June, the Skills Funding Agency has identified institutions that are eligible to apply for the additional funding and has issued guidance to those colleges on how they can apply for funding from both the renewal and enhanced renewal grants.

Geoffrey Clifton-Brown: I warmly welcome the introduction of the funding, which will help colleges affected by the previous Government's moratorium on Learning and Skills Council funding. However, independent specialist colleges, such as the National Star college in my constituency, which train some of the most affected disabled people in the country, were transferred before the election from my hon. Friend's Department to the Department for Education. Such colleges look set, therefore, to lose out on the opportunity to apply for capital funding for the second time in a row. Is there anything my hon. Friend can do to deal with that unfair situation?

Mr Hayes: My hon. Friend has been a champion of National Star college, which does outstanding work for the learners he describes. I share his concerns. He is right about the transfer of responsibility. Nevertheless, because of the overtures and the strong case made by others, and my own commitment to learners with those difficulties, I have today initiated discussions with the Department for Education to see how we can move with coherence to a position where all colleges benefit in the way my hon. Friend describes.

Kevin Brennan (Cardiff West) (Lab): In fact, is the scheme not typical of the way the Department for Business, Innovation and Skills has been rolled over by the Treasury since the election? Can the Minister confirm that we invested more than £2 billion in our FE colleges and that the £50 million fund has been pilfered from his skills revenue budget and, therefore, represents a cut in future years, not an investment? He will want to be straight with the House about that after yesterday's debacle.

Mr Hayes: Speaking of debacles, FE capital funding under the hon. Gentleman's Administration was indeed a debacle, obliging Sir Andrew Foster to conclude that it was due to mismanagement. The hon. Gentleman knows that the FE capital that we have announced is in addition to the spend we will make in 2010-11 on capital in FE. It is time FE was given a new future, and it will be under this Government.

Post Office Network

6. **Simon Wright** (Norwich South) (LD): What plans he has to ensure the financial viability of the Post Office network. [6683]

8. **Stuart Andrew** (Pudsey) (Con): What plans he has to ensure the financial viability of the Post Office network. [6686]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): We have been clear that we will ensure that post offices are allowed to offer a wide range of services in order to sustain the network. We are working with Post Office Ltd to develop new sources of revenue, including considering the case for a Post Office bank.

Simon Wright: I thank the Minister for his response. He, like me, campaigned tooth and nail against the previous Government's mass post office closure programme, which proved so damaging to communities such as mine in Norwich South. Can my hon. Friend give an assurance that over the next five years of this Government he will do everything he can to make sure there is no further post office closure programme?

Mr Davey: I pay tribute to my hon. Friend for the work he has done in his constituency campaigning against the closures proposed by the previous Government. This Government recognise the important social and economic role played by post offices in communities throughout the United Kingdom. That is why we have secured £180 million in the next financial year for the social network payment and why I give the House my commitment that I shall work night and day to avoid the mass closures of post offices that we saw under the previous Government.

Stuart Andrew: In addition, I handed in a petition to Downing street, with more than 5,000 names of people who were trying to save four post offices in my constituency. Sadly, it fell on deaf ears. Is my hon. Friend concerned that Camelot's proposed plans to allow bill payments through its terminals may adversely affect the 7,500 post offices that do not have such terminals?

Mr Davey: Again, I pay tribute to my hon. Friend's work campaigning for his constituents and their post offices. I must say that Camelot's proposal to provide commercial services through lottery terminals is still subject to the regulatory approval of the National Lottery Commission. If the commission consents to Camelot's proposals, Post Office Ltd will carry out an assessment of the impact on sub-post offices and we will take that into account.

Kate Green (Stretford and Urmston) (Lab): I welcome the Minister's commitment to the continuation of the provision of postal services in a wide range of communities. Given the difficulty of maintaining counter and, indeed, banking services in our poorest communities, can he give us an assurance that, in ensuring that such services can be maintained in such communities, public safety and staff safety will be a paramount consideration in finding suitable outlets?

Mr Davey: The safety of staff and the public is always a major consideration as we go forward in modernising the network. I think the fact that the Government are committed to looking for new services and new ways of doing things, and to seeing whether we can increase the financial services that go through the network, will be widely welcomed. That will enable the network to be more financially viable and therefore to meet even better the concerns that the hon. Lady has voiced.

Mr Russell Brown (Dumfries and Galloway) (Lab): The Minister knows full well that one of the determining factors as to which post offices remained open during the two or three-year period when we lost 2,500 outlets was the access criteria. Can he give the House an assurance today that we will not see those access criteria interfered or tampered with?

Mr Davey: The hon. Gentleman can have my assurance that I am working very hard with Post Office Ltd to make sure that we have the new services that will generate the revenue, so that we do not have to see the mass closure programme that precipitated the access criteria that the hon. Gentleman's Government had to introduce.

SMEs

7. **Richard Harrington** (Watford) (Con): What assessment he has made of the contribution of small and medium-sized enterprises to economic recovery. [6685]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Vaizey): Small and medium-sized enterprises are the backbone of the economy and will make a vital contribution to the economic recovery, through new start-up activity and through business growth. BIS is currently conducting a survey of small and medium-sized enterprises, which will further inform our assessment of the contribution of SMEs to the recovery.

Richard Harrington: On Tuesday, I visited the Queens Road area of Watford—an area previously of retail prominence—with Helen Lynch, a local community volunteer who is trying to revitalise the area. One of the main problems I saw was that many shops had shut down and were shuttered up. When I have tried to get people interested in taking up retail units in starting up a small business, one of the main problems facing them was the high level of business rates. I wonder whether the Minister with responsibility for small business, my hon. Friend the Member for Hertford and Stortford (Mr Prisk), would agree to come to Watford with me so that we could discuss the issue on the ground with some local business people and other interested parties.

Mr Vaizey: I pay tribute to my hon. Friend and the work that he does supporting small businesses in his constituency. I certainly think that my hon. Friend the Minister with responsibility for small business would be delighted to visit them. We are looking at temporary rate relief for small businesses. I know that it is a key problem for them.

Chris Leslie (Nottingham East) (Lab/Co-op): Will the Minister do what he can to encourage and, through his own Department, support the venture capital investment so needed for small manufacturing start-ups? Not only is it a problem that the capital allowance has been reduced, but access to the necessary credit and resources is problematic. Will he conduct a review on venture capital availability?

Mr Vaizey: Under the Budget we have set up a new enterprise capital fund, into which the Government have put £25 million. We are looking for additional private funding, but I certainly recognise the importance of the venture capital industry and venture capital funding for small businesses.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): SMEs offer some of the best potential for future growth, but the biggest barrier to that is access to finance—in particular, I am talking about the failure of the enterprise finance guarantee scheme, because of the Catch-22 that it is the banks that SMEs apply to that say no. What can my hon. Friend do about that?

Mr Vaizey: We are expanding the enterprise finance guarantee scheme by an additional £200 million, and we understand that it will support some £700 million of extra bank lending, but I absolutely agree with the hon. Gentleman about the problem of securing bank lending. We are due to publish a Green Paper on business finance before the summer recess. I hope that that will address many of the issues that are involved.

Ian Lucas (Wrexham) (Lab): We on the Labour Benches welcome the extension of Labour's successful enterprise finance guarantee that was announced in the Budget. We are questioning what has happened to the "major loan guarantee scheme" referred to in the coalition agreement. Is that in fact the same thing as Labour's successful enterprise finance guarantee scheme, which the Tories and the Liberals have now extended in their own Budget?

Mr Vaizey: In our approach, we want to look at all the issues in the round, so one of the key aims of the Green Paper on business finance is to ensure holistic measures of business support.

Graduates (Employability)

9. **Oliver Colvile** (Plymouth, Sutton and Devonport) (Con): What plans his Department has to improve the employability of graduates. [6687]

The Minister for Universities and Science (Mr David Willetts): We are committed to increasing employment by cutting the burden of national insurance on new businesses employing new staff in areas such as Plymouth. We are cutting corporation tax over the next four years. We are easing the burden of regulation. In addition, I have asked universities to provide public statements on what they do to promote employability, to encourage them to improve the job-readiness of their students and to do better at getting their students into internships, work experience and work.

Oliver Colvile: I thank my right hon. Friend for that answer. Is he willing to meet me and the vice-chancellor of Plymouth university—the enterprise university—to discuss ways in which it might make greater commercial use of its excellent reputation in marine science research as well?

Mr Willetts: I have met the vice-chancellor of the university of Plymouth and corresponded with her when she praised the co-operation that she already had with my hon. Friend. Of course, I would be very happy to meet her. Those are exactly the kind of initiatives linking universities and business to promote economic growth that the Government are backing.

Paul Blomfield (Sheffield Central) (Lab): In October last year, the Minister said:

"At a time when the jobs market for young people is tougher than ever, it is far better to find them a place in education than to leave them languishing on the dole...whereas going to university will increase their qualifications and make them more employable in the long run."

Will he confirm that that is no longer his view, in the light of the withdrawal of 10,000 university places?

Mr Willetts: In that statement, I announced my commitment to 10,000 extra places at university, when the then Government were planning a cut in the number of places at university. We have delivered those 10,000 extra places. There will be more places at university this year than the then Government originally planned, and we are proud of what we have achieved.

Mr David Lammy (Tottenham) (Lab): Given that the Office for Budget Responsibility has confirmed a rise in unemployment next year and that the Association of Graduate Recruiters estimates that vacancies for graduates will fall by 7%, what will the right hon. Gentleman do to support graduates in what will be the toughest year on record to get employment?

Mr Willetts: I have here the forecast from the OBR, and it is an endorsement of the measures that the Government took in the Budget. It makes it absolutely clear that it expects total employment in the economy to rise from 28.89 million now to 30.23 million in five years' time, as a result of the decisions that the Government are taking. Of course, times are tough for students, but going to university and getting a degree remains a very good investment in people's long-term prospects for well-paid employment, and we will encourage universities to focus on maximising the employability prospects of their students.

FE Colleges (Capital Funding)

10. **Charlie Elphicke** (Dover) (Con): How many further education colleges will receive capital funding from his Department in 2010-11. [6688]

The Minister of State, Department for Business, Innovation and Skills (Mr John Hayes): One hundred and sixty colleges, including 28 sixth-form colleges, will receive further education capital support totalling £407 million in 2010. In addition, a further £50 million will be invested to support those colleges that have yet to benefit significantly from the capital programme. We expect that extra resource to increase significantly the number of colleges that receive capital grant support, with potentially 293 colleges receiving capital support in 2010-11.

Charlie Elphicke: Will funding be available for Hadlow college's plans for Betteshanger business park, near Deal? The business park was created by the regional development agency, £18 million was spent, and it has been left empty. It would be great to bring it into use.

Mr Hayes: It is essential that my hon. Friend and the House understand that that resource is on top of the existing investment programme, which is supporting a large number of current projects. That resource will enable real investment, bringing genuine benefits to learners and enabling colleges to plan for the future. I do not want to be unkind to Opposition Members, but it is important to recognise the disappointment that colleges felt under the previous Government. The Foster report said that that was due to inadequate management information, poor monitoring, a poor long-term financial strategy, meetings that led nowhere and monitoring that was focused on the wrong things. Now, I do not want to be unkind, but that is not good enough.

Joan Walley (Stoke-on-Trent North) (Lab): Given that we are where we are in respect of capital funding for colleges, will the Minister look very carefully at the urgent need for increased capital expenditure in Stoke-on-Trent and at whether we can apply for the £5 million to get investment in the Burslem and Shelton campuses? Our college has no reserves, and I need the Minister to address that urgently.

Mr Hayes: I cannot make promises about individual colleges, but I hear what the hon. Lady says—she makes a powerful case—and I will be happy to meet her with my officials to discuss that matter further.

Mr David Evennett (Bexleyheath and Crayford) (Con): May I welcome the Minister's response and his plans to give further education colleges more freedom? Will the new freedoms that he is offering extend to capital projects, to make it easier for colleges to get alternative sources of finance?

Mr Hayes: Indeed, and it is perhaps also important to let the House know that the Government money that is available will leverage in other moneys. We want to look at all kinds of ways in which colleges, enjoying the new freedoms that this Government are determined to give them, can invest in their future. By the way, I know that my hon. Friend is a great champion of further education. I add that because he deserves that plaudit.

Barry Gardiner (Brent North) (Lab): Will the Minister accept my invitation to come and visit the College of North West London in Brent so that he can spread some of his largesse there?

Mr Hayes: My largesse is legendary, and I can hardly wait to visit. I would make one request—that there are tea and cakes when I arrive.

Small Businesses (Finance)

11. **Mike Crockart** (Edinburgh West) (LD): What recent steps he has taken to increase access to finance for small businesses. [6689]

The Secretary of State for Business, Innovation and Skills (Vince Cable): The coalition is committed to ensuring the flow of credit to viable small and medium-sized enterprises. The emergency Budget contained several measures, including the enterprise finance guarantee, the growth capital fund and the enterprise capital fund. However, unlike the previous Government, we are addressing proactively problems in the banking sector before rather than after they irreparably damage the economy.

Mike Crockart: I thank my right hon. Friend for his response. Is he aware that, in my constituency, some small businesses that have successfully managed to gain access to finance are now being prevented from using that, because a bank in which the taxpayer has a significant interest has scaled back its willingness to be exposed to joint liability with small, family-run suppliers? Will he agree to take time to meet me to discuss that?

Vince Cable: I am very happy to meet my hon. Friend to discuss that problem, which is happening all around the country. As it happens, in his constituency, I believe that nine companies have taken up the enterprise finance scheme—654 companies in Scotland have done likewise—and have drawn more than £1 million from it, but I recognise the problem. Actually, I think I met the chief executive of the bank to which I believe my hon. Friend is referring last week. I am aware of the enormous frustration in many small-scale enterprises, and I will continue to pursue the matter.

Mr Dennis Skinner (Bolsover) (Lab): What help will the Secretary of State give to those small and medium-sized businesses that were hoping to take part in the building of 700 schools, including one in Tibshelf in my constituency? Does he not understand that public sector cuts equals private sector misery?

Vince Cable: I think that the hon. Gentleman is conflating two massively different issues. I have many responsibilities—this is a very big Department—but school building, mercifully, is not one of them. However, he raises the more basic question of bank lending. Of course, there is an enormous problem, despite very high approval rates through the banking system. I am discussing with the Chancellor how we can improve the supply of capital, and there will be a paper before the summer on the different streams that we can energise to get capital flowing into good companies.

University-based Research Funding

12. **Ann McKechin** (Glasgow North) (Lab): What plans he has for the future funding of university-based research. [6691]

The Minister for Universities and Science (Mr David Willetts): During 2010-11, the Department will provide £5.7 billion in funding for science and research, made up of £3.9 billion, principally to the research councils, and £1.8 billion of research funding distributed by the Universities Funding Council in England. The previous Government delayed the comprehensive spending review, so budgets have not been set for future years. They will be decided this autumn as part of the spending review.

Ann McKechin: As the Minister will, I am sure, agree, we enjoy a world-class research base in our universities here in the UK, but stability of funding is crucial to that. I seek reassurance today that he will take that as a priority, especially for science research, which is so essential as a driver for our economy. Can he confirm whether the VAT increase, which will affect universities to the extent of £200 million, will be taken into account?

Mr Willetts: My right hon. Friend the Secretary of State and I are committed to a strong research base in Britain and in our universities. If the hon. Lady looks at the Budget, she will see that it contained, alongside the necessary VAT increase, imaginative proposals to try to help universities respond to that challenge.

Julian Huppert (Cambridge) (LD): Is the Minister aware that the decisions that individuals take to come to this country, leave this country and to stay and research in this country depend on how welcome they are made to feel here and how much funding is available over a long time scale? Will he commit to a 10-year prediction of how much money is likely to be available, so that when we are out of the current hole people will know that there is a rosy future ahead?

Mr Willetts: It is quite a challenge to make a 10-year prediction when we have just embarked on the comprehensive spending review for the next three years. I can say that we are committed to supporting research in this country. The challenge we face is that we inherited from the previous Government a commitment to reductions of

"£600 million from higher education and science and research budgets".

EU Free Trade Agreement (Peru/Colombia)

13. **Chris Bryant** (Rhondda) (Lab): If he will make representations to his EU counterparts to require that the proposed EU free trade agreement with Peru and Colombia undergoes ratification in each member state. [6692]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): This Parliament will have a chance to examine properly the free trade agreement with Peru and Colombia. We expect that member states will need to ratify the agreement formally in 2011, but we will confirm that when the final texts are issued later this year.

Chris Bryant: I do not know whether it is because the Minister is a Lib Dem rather than a Conservative, but that is a much better answer than I got to this question on Tuesday from the Minister for Europe. Can he ensure that that happens? There are other countries that would like to slip past the fact that Colombia has a poor human rights record. There are more trade unionists killed in that country than in all the other countries in the world put together, and an enormous problem with displaced people. It is therefore vital that this House gets to choose whether to sign up to that free trade agreement. Will he ensure that every other country signs up to that and, if necessary, use his veto?

Mr Davey: I am sure that my hon. Friend the Minister for Europe gave an excellent reply to the hon. Gentleman. In any event, I pay tribute to the hon. Gentleman, because when he was Minister for Europe he negotiated one of the strongest ever human rights clauses in the FTA with Peru and Colombia, and he deserves the credit on behalf of many people in Colombia. He will know that legal advisers are now looking at the draft text and will have to decide whether it is known as a mixed agreement or a union-only agreement. Our belief is that it will be a mixed agreement and therefore that not just the European Parliament but all Parliaments will have to consider it. That will create the debate that the hon. Gentleman seeks.

Universities UK

14. **Mr Charles Kennedy** (Ross, Skye and Lochaber) (LD): When he last met representatives of Universities UK; and what matters were discussed at that meeting. [6693]

The Minister for Universities and Science (Mr David Willetts): I meet Universities UK on a regular basis. I last met UUK representatives at their board meeting on 25 June when we discussed a range of issues facing higher education. With my right hon. Friend being the rector of Glasgow university, and my right hon. Friend the Secretary of State having been an economics lecturer there, I am of course impressed by the excellence of that institution.

Mr Kennedy: Well, that is very nice to hear. I hope that the Minister will visit, and we will make him feel extremely welcome. A guest lecture would not go amiss.

Given the Government's policy of a cap on immigration, the Minister will be aware that Universities UK and many others across the sector are worried about its impact, as 10% of university staff across the UK are non-EU nationals, including 2,500 staff at the Scottish universities alone. What can he do with his colleagues in the Home Office to mitigate the impact of that policy on the tertiary sector?

Mr Willetts: We are working closely on this matter with my right hon. Friend the Home Secretary, and I think that we have reached a sensible way forward, which she announced the other day. Of course, if there are individual problems affecting universities in the operation of these controls, we would be interested to hear from them, and will discuss them with our colleagues in the Home Office.

Mr Denis MacShane (Rotherham) (Lab): The Minister will be aware that the United States spends 2.9% of gross domestic product on higher education. We spend 1.3%, which is below the OECD average. The previous Government took a brave decision on tuition fees, although it was very unpopular with my hon. Friends. May I invite the Minister to take equally unpopular decisions on university finance, perhaps to introduce a graduate tax or lift some of the charges that universities can make? We must get more money into our universities.

Mr Willetts: That is why, of course, the Browne review was set up on a cross-party basis—to look at these issues so that we can find a way forward that I hope will command consent on both sides of the House of Commons.

Science and Innovation Industry

15. **George Freeman** (Mid Norfolk) (Con): What steps he is taking to support the UK's science and innovation industry. [6694]

The Minister for Universities and Science (Mr David Willetts): We will encourage universities to work with businesses and enhance the effectiveness of the UK's innovation system to support successful business innovation. The coalition agreement made it clear that we are committed to refocusing the research and development tax credit on high-tech companies, small firms and start-ups, as recommended by Sir James Dyson. We are considering the other recommendations in his report.

George Freeman: May I say how nice it is to see such a heavyweight business and finance team on the Front Bench? I would also like to declare an interest as someone who has had a career in business before coming to the House. Does the Minister agree that, in order to unlock the significant economic potential of our science and research base, instead of scattering money to the four corners of the kingdom, as the previous Government tended to do, we should focus our money on those centres that have a demonstrable track record in commercialising technology, such as the excellent John Innes research centre and the Norwich research park on the edge of my constituency?

Mr Willetts: The John Innes centre is a centre for plant science, but that does not mean it was a planted question.

Mr Speaker: Order. May I gently remind the Minister, who always looks very comfortable at the Dispatch Box but is usually looking the wrong way, that he needs to look at, and address, the House as a whole?

Mr Willetts: I can assure the House that we are looking very carefully at the important issue of concentrating research funding in the areas where it will yield its greatest results. However, concentration means concentration of research in departments. It need not be done university by university.

Businesses (Health and Safety)

17. **Ann Clwyd** (Cynon Valley) (Lab): What discussions he has had with the Secretary of State for Work and Pensions on health and safety regulations affecting businesses. [6697]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): No discussions have as yet taken place between Ministers and the Secretary of State for Work and Pensions in relation to health and safety regulations affecting businesses. However, Ministers met Lord Young of Graffham on 1 July. Lord Young is leading the Government's review of health and safety laws and regulation, their implementation, the compensation culture and the associated litigation process.

Ann Clwyd: I hope that the Minister's bosses in the House can persuade him not to work night and day, as he said earlier, because that sends a bad message to a lot of people. Since the Health and Safety at Work, etc. Act 1974, the number of fatal accidents at work has fallen by 75%. Can he assure us that there will be no return to the bad old days?

Mr Davey: First, I am not going to apologise for working hard. My right hon. and hon. Friends are working extremely hard. However, I can assure the right hon. Lady that the UK's excellent health and safety standards will not be compromised as a result of this review. It will focus on unnecessary bureaucracy. I wonder whether she has spoken to businesses in her constituency—I have spoken to them in my constituency—who complain that, in order to comply with some of the complex bureaucracy of some of the health and safety rules, they have to employ consultants. We need to ensure it is easier to comply, but that in no way should undermine the importance of health and safety.

Small Businesses (Finance)

18. **Jeremy Lefroy** (Stafford) (Con): What recent steps he has taken to increase access to finance for small businesses. [6698]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): I refer my hon. Friend to the answer my right hon. Friend the Secretary of State gave to the hon. Member for Edinburgh West (Mike Crockart).

Jeremy Lefroy: Many small businesses, including those in my constituency, face much higher facility fees, even when they can get access to finance. Does the Minister agree that banks should not use the current situation to hike up fees, and will he take this up with them?

Mr Prisk: Indeed, we already are. I want to stress and put clearly on the record the fact that we are not willing simply to allow the situation to continue. Small businesses are crucial to our economy. We want to ensure that banks understand that. My right hon. Friend the Secretary of State and I meet regularly with the banks. If we find that they are clearly pushing such charges up, we will make them come to see us in the Department and ensure that they understand that we are not happy and that we will act to ensure that they change their behaviour.

Topical Questions

T1. [6703] **Annette Brooke** (Mid Dorset and North Poole) (LD): If he will make a statement on his departmental responsibilities.

The Secretary of State for Business, Innovation and Skills (Vince Cable): My Department's responsibilities include helping to drive growth, including by rebalancing the economy; building on the strengths of manufacturing, the knowledge industries, and the science and research base; helping businesses to grow by getting rid of excessive regulation and ensuring that they can access credit; being open to trade and foreign investment; and encouraging the development of a skilled and educated labour force.

Annette Brooke: Does the Business Secretary share my concern that, with the ending of the cheque guarantee card scheme next year, the demise of the cheque will be hastened, affecting very small businesses and, of course, the elderly? What action, if any, can he take in conjunction with his Treasury colleagues?

Vince Cable: I do share my hon. Friend's concerns. As she knows, the decision originated last June with the Payments Council, which is an independent body. The decision was based on the fact that there had been a dramatic fall in cheque use, from 11 million a day in 1990 to 3.5 million. However, the Government recognise that there are large numbers of individuals, small companies and charities for whom the cheque is an extremely important way of making transactions. The Payments Council is an independent body, but we are trying to ensure that it has alternatives in place, so that people are not greatly disadvantaged by the change.

Mr Pat McFadden (Wolverhampton South East) (Lab): May I ask the Secretary of State about an important area for consumers and businesses—the future of mobile broadband internet? As he will know, it is growing exponentially, and is hugely important for consumers and businesses. Will the Government therefore put an end to the uncertainty on the issue that has been created since the election, and proceed with the statutory instrument on the planned future spectrum option, which can make the sector grow in the UK? That measure, which was put together by the Labour Government, would have ensured fair competition through caps on the amount of spectrum that could be bought by a single operator. There has been great uncertainty on the issue since the election. Do the Government accept that it would be wrong to have that option in place in a way that squeezed out competition, and will they therefore set out their plans?

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Vaizey): We are looking carefully at this issue, holding regular discussions with the mobile phone operators and involving other Departments and regulators. The right hon. Gentleman

is quite right. Getting the issue sorted is an absolute priority for us, and we hope to make an announcement before the end of the summer recess.

T2. [6704] **Robert Halfon** (Harlow) (Con): Following the excellent plans for apprenticeships, is my hon. Friend the Minister aware that the local apprenticeship scheme run by Essex county council and Harlow college has agreed to place an Essex apprentice in my office from October? Will he also look into boosting apprentices in Whitehall and Westminster, and through Government contracts?

The Minister of State, Department for Business, Innovation and Skills (Mr John Hayes): My hon. Friend has been a champion of apprenticeships since he arrived in the House and before. I congratulate him on his initiative in that respect. He will know that this Government have already transferred £150 million into the apprenticeship budget to create 50,000 more apprenticeships. I can announce today that one of them will be joining my office in Whitehall, and I invite other Ministers to do the same.

Jack Dromey (Birmingham, Erdington) (Lab): Can the Secretary of State clear up the confusion on the future of regional development agencies that has arisen out of conflicting statements? On the one hand, there is an apparent open-mindedness on the part of the Secretary of State; on the other, his counterpart in the Department for Communities and Local Government has taken a more hard-line and ideological approach. If there is a desire in any region, including the west midlands, for the retention of a strong regional structure—albeit with sub-regional arrangements, including local employment partnerships—will the Secretary of State be open to the retention of a strong regional development agency there?

Vince Cable: There is absolutely no conflict, dispute or ideological perspective involved in this at all. We have made it clear that all the RDAs will be replaced by local enterprise partnerships. They will have a change in function from the current RDAs. We have also made it clear that if there is a will in a region to operate on a regional basis, a regional structure can emerge. The Minister of State, my hon. Friend the Member for Hertford and Stortford (Mr Prisk), will shortly produce a White Paper setting out how the regional process will develop.

T3. [6705] **Dr Julian Huppert** (Cambridge) (LD): I have been made aware recently of a number of cases of academic visitors coming to the UK, often for only a few days, and being denied visas for their entry. Will the Minister meet the Home Secretary to work out a new protocol for treating these people? Will he also meet me to talk through the issue, so that we can ensure that the reputation of British educational research is supported and not weakened?

The Minister for Universities and Science (Mr David Willetts): My right hon. Friend the Home Secretary and I are both aware of the importance of these academic exchanges and visits. If there are any particular operational problems that my hon. Friend has encountered, I would be very happy to meet him to discuss them.

T4. [6707] **Karl Turner** (Kingston upon Hull East) (Lab): Does the Secretary of State appreciate the real need of ports such as Hull to upgrade to cope with green energy production? Is the £60 million promised by the Labour Government still on offer, or does he dismiss it as a cynical Labour election ploy, as he has done with Sheffield Forgemasters?

Vince Cable: As the hon. Gentleman knows, there was an announcement in the Budget on commercial rates, which was a big issue for those ports. We are anxious to help the development of green investment and, as he will know, we are studying a proposal for the green investment bank, which could well become a vehicle for good projects in that sector.

T5. [6708] **Andrew George** (St Ives) (LD): I was listening carefully to the Minister's earlier response to the question on penalty charges applied to personal bank account holders who occasionally stray into unauthorised overdraft. Bearing in mind the Supreme Court's decision last year, which has resulted in a very unsatisfactory situation, does the Department intend to review the situation and, indeed, intervene to protect those personal account holders who find themselves in difficulty?

Vince Cable: There certainly was a problem of serious overcharging, and it was pursued through the courts by the Office of Fair Trading. I am going to meet the director general of fair trading very soon, and I shall try to establish whether any action needs to be taken by the Department, as opposed to through the legal channels that have been pursued so far.

Yvonne Fovargue (Makerfield) (Lab): What assessment has been made of the impact of front-line services in local citizens advice bureaux, such as my own in Makerfield, of the £2.5 million cut to Citizens Advice?

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): I have met representatives of Citizens Advice England and Citizens Advice Scotland to discuss any difficulties they might have in implementing in-year cuts, as I have with all partner organisations of the Department. They have given me their assurance that they are managing, and they are working with my officials to try to ensure that those cuts can be made without hitting the front line in the way that the hon. Lady describes.

T6. [6709] **Brandon Lewis** (Great Yarmouth) (Con): Learners at colleges across England such as Great Yarmouth college have contributed something like £28 billion to our economy over the past 15 years. Does the Minister agree that those colleges need the support of our Government? What freedoms can we give them to ensure that they develop even further in the future?

Mr Hayes: I entirely agree with my hon. Friend. He is right to raise that issue in those terms, because it is through freedom that colleges will be able to innovate and excel. It is vital that colleges become more responsive to learner demand and to employers. That is why I have already announced certain important freedoms that they want and that were denied to them by the Labour Government.

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): I think that there is cross-party consensus that major infrastructure projects such as high-speed rail and new nuclear and renewable energy schemes are essential not only for the future of our economy but for the greening of the economy. However, they often attract local opposition. There is huge concern within the business *community* about the proposed abolition of the Infrastructure Planning Commission. What representations is the Minister making to ensure that the successor planning regime does not allow nimbyism, masquerading as local democracy, to strangle those schemes at birth?

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): What we are changing is the quango that will report on the final decision. We are not changing the streamlined system that will sit behind it—we think it is good; for business and for infrastructure—but we do think it important that when a final decision is made on a major infrastructure programme, it is made by a Minister standing at this Dispatch Box who is accountable to this House. I think that is an important principle; it will not undermine business investment and it is good for democracy.

T7. [6710] **Mark Pawsey** (Rugby) (Con): Last week, I joined students at Rugby high school in my constituency, who were taking part in a business partnership event, in which they learned the principles of running a business. Does the Minister agree that it is vital to encourage and support such entrepreneurs of the future?

Mr Willetts: We are strongly committed to enterprise education. People can learn how to be enterprising and learn the skills necessary to run a business. We are indeed committed to supporting such initiatives.

Toby Perkins (Chesterfield) (Lab): The Secretary of State will be aware that of all the important things for small businesses, the most important of all is that people have enough money to buy their products. In that light, what impact does he think the increase in VAT will have, particularly on the retail sector, which relies so much on people having the money to purchase products?

Vince Cable: The Budget made it very clear that the value added tax increase is part of an overall process of reducing our enormous deficit, and it will lead to the strengthening of the British economy in due course. Those who criticise the VAT increase have to explain whether they are recommending that we make even deeper cuts in public spending instead.

T8. [6711] **Laura Sandys** (South Thanet) (Con): Will the Secretary of State meet a group of seaside MPs whose constituencies face very specific challenges both in job creation and in new business start-ups? Could we further discuss how to boost domestic tourism, which plays such an important part in the economy of my South Thanet constituency?

Mr Prisk: The hon. Lady, if I may say so, is a very good advocate—possibly even a champion—of tourism and so forth. *[Interruption.]* My largesse does not go quite that far. I would be more than happy to meet my hon. Friend and her colleagues. It is important to recognise some of the special problems in particular locations, and start-ups are crucial in that respect.

Valerie Vaz (Walsall South) (Lab): Will the Minister assure me that in the lifetime of this Parliament he will not cut the budget of a vital part of his Department, the companies investigations branch, which does vital work to protect front-line services and consumers?

Mr Davey: All partner organisations and all parts of Government have to look very closely at their budgets as we approach the comprehensive spending review. We will ensure that key parts of the Department, which I often refer to as "the plumbing"—the parts that uphold company law and competition policy and the Advisory, Conciliation and Arbitration Service, for example—get the resources they need, as they affect key areas of our economy.

Jake Berry (Rossendale and Darwen) (Con): May I say that the announced 50,000 new apprenticeships are hugely welcome in my constituency, as Rossendale and Darwen has many young people working in the manufacturing sector? Given that an apprenticeship should be only the start of a journey of lifelong learning, what steps have been taken to encourage those who have completed an apprenticeship to go on to university?

Mr Hayes: My hon. Friend makes an important point about progression. It is important to have a ladder of training opportunity, going from re-engagement of those who have been disengaged from education, training and employment through to apprenticeships, and then to higher level skills, too. We will certainly do that.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): Will the Secretary of State confirm whether he will go ahead with previous plans to introduce financial incentives of about £5,000 for people buying new electric vehicles?

Vince Cable: No, I cannot confirm that because the decision is still awaited, and it lies with the Department for Transport. Only last week, I attended a major series of events with the automotive industry, which impressed on me the importance of this decision in order to promote electric power. I fully understand the rationale behind it, but I cannot confirm the decision today.

Gordon Birtwistle (Burnley) (LD): The university campus at Burnley college has developed what it believes to be the most advanced wind turbine in the world. The previous Government were asked to fund further research on it, which they refused, so will the Minister visit this project and look at the possibility of helping to develop it further?

The Minister for Universities and Science (Mr David Willetts): I always enjoy visiting universities, especially when they have enterprising ideas that bring forward business opportunities, so I am happy to accept my hon. Friend's invitation.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): Will the Secretary of State confirm what communication he or his Cabinet colleagues have had with Corus and Tata Steel Europe, since the announcement of the departure of the coalition Government's fiscal friend, Kirby Adams?

Vince Cable: I met Dr Ratan Tata when he came through London. We have not had detailed discussions on the future of the steel project—we remember the consequences of the closure on Teesside—but we support the continuation of training for those redundant workers who require it and have not found their own way following redundancy.

Mr Marcus Jones (Nuneaton) (Con): The Minister may be aware that the selections for the UK WorldSkills squad are due to take place in anticipation of the 60th WorldSkills competition, held in London next year. One of the selection events is taking place in my constituency at the excellent North Warwickshire and Hinckley college during November. Will the Minister consider accompanying me on a visit to the college during that week, to see the excellent work that the students are doing?

Mr Hayes: I can see that I will be busy travelling the whole country. Of course I will—WorldSkills matters and celebrates success; there was cross-party agreement about that. I will support the event in his constituency and WorldSkills more generally.

Mr Pat McFadden (Wolverhampton South East) (Lab): On a point of order, Mr Speaker.

Mr Speaker: Order. The answer to the right hon. Gentleman is that points of order follow statements. *[Interruption.]* Order. Somebody chuntered from a sedentary position that there was a point of order earlier. The hon. Member for Rhondda (Chris Bryant) is a considerable authority on these matters and knows perfectly well—it is helpful for me to explain this to the House—that one circumstance in which a point of order can come before a statement is when, in respect of a particular question, a Member is so dissatisfied with the answer that he or she signals an intention to raise the matter on the Adjournment. I explain that both for the benefit of the House and for those outside who are unaware of such matters.

Business of the House

11.31 am

Ms Rosie Winterton (Doncaster Central) (Lab): Will the Leader of the House give us the forthcoming business?

The Leader of the House of Commons (Sir George Young): The business for the week commencing 12 July will include:

MONDAY 12 JULY—Proceedings on the Finance Bill (Day 1).

TUESDAY 13 JULY—Proceedings on the Finance Bill (Day 2).

WEDNESDAY 14 JULY—Motion relating to police grant report, followed by motion to approve a Statutory Instrument relating to the draft Terrorism Act 2006 (Disapplication of Section 25) Order 2010, followed by motion to approve a European Document relating to the European External Action Service.

THURSDAY 15 JULY—Proceedings on the Finance Bill (Day 3).

The provisional business for the week commencing 19 July will include:

MONDAY 19 JULY—Second Reading of the Academies Bill [*Lords*].

At 10 pm the House will be asked to agree all outstanding estimates.

TUESDAY 20 JULY—Proceedings on the Consolidated Fund (Appropriation) Bill, followed by proceedings on the Finance Bill (Day 4), followed by business nominated by the Backbench Business Committee.

WEDNESDAY 21 JULY—Proceedings on the Academies Bill [*Lords*] (Day 1).

THURSDAY 22 JULY—Proceedings on the Academies Bill [*Lords*] (Day 2).

I should also like to inform the House that the business in Westminster Hall for 15 July will be:

THURSDAY 15 JULY—A debate entitled "Reform of the Law of Defamation".

Ms Winterton: May I thank the Leader of the House for the business and say how pleased we are to have him back, knowing his commitment to protecting the rights of Members of the House? Although he seems increasingly isolated in that quest, he remains our leading man. I use that term because, as it happens, it is exactly how he was described by *The House Magazine*, in a marvellous account of his rise to power and his duties as Leader of the House. It includes some fascinating reminiscences about the Thatcher years. For example, he says:

"When we won power in 1979 we were less prepared than today."

Mr Speaker: Order. This is absolutely fascinating stuff, but it suffers from the notable disadvantage that it bears absolutely no relation whatever to the business of next week or the week after. I know that the right hon. Lady, who is a dextrous performer, will now speedily move on to matters of current interest, namely the business of the House next week and the week after.

Ms Winterton: I certainly will, Mr Speaker. One of the matters on which I wanted to question the Leader of the House with reference to his duties was the "serious training" that he said shadow Ministers had been given in order for them to be able to move quickly to implement some of the policies in the coalition agreement. I think that that "serious training" explains the speed with which the Thatcherite cuts in public service are being implemented. However, the interview does not tell us whether the duties of the Leader of the House include arranging training for Liberal Democrat Ministers enabling them, for instance, to explain during next week's debate on the police grant report how cutting £125 million from this year's policing budget will not affect police numbers—especially given that the Liberal Democrat manifesto stated that there would be 3,000 extra police on the streets.

Will the Leader of the House ensure that the Minister for Police explains in next week's debate what statistics the Prime Minister was using yesterday when he said that violent crime had doubled, given that the UK Statistics Authority has said that it is misleading the public to use anything other than the British crime survey as a measure of long-term crime trends? The survey shows that, in fact, there has been a 41% reduction in violent crime since 1997.

May I also ask whether the "serious training" referred to by the Leader of the House involves training in how to make apologies? If so, I am afraid that the Education Secretary needs a refresher course. On Monday, he released his first list of schools that would no longer be refurbished or rebuilt. He released that list to the media. By Tuesday afternoon he had released a third list. My hon. Friend the Member for Gedling (Vernon Coaker) raised the matter with you, Mr Speaker, and last night the Education Secretary was forced to come to the House to apologise. He arrived with a fourth list, but said he

"would be grateful if hon. Members would ensure that any information they had that pointed to inaccuracies was put to me".—[*Official Report*, 7 July 2010; Vol. 513, c. 492.]

Naturally, Labour Members rose to the challenge and pointed out that Monkseaton high school in Tynemouth, which was listed as having been cancelled, had in fact been opened last year, and had been visited by the one and only right hon. Member for Witney (Mr Cameron) when he launched the Conservative local election campaign. That is completely chaotic, and suggests a hurried and unreliable process.

Mr Peter Bone (Wellingborough) (Con): Will the right hon. Lady give way?

Ms Winterton: If the hon. Gentleman has any suggestions for the Secretary of State, I am sure that the Secretary of State will listen to them.

Will the Leader of the House ask the Education Secretary to come to the House and, as a minimum, publish the criteria that were used to decide which school building projects would be cancelled, so that parents and teachers can see for themselves whether their school building programme has indeed been cancelled by any kind of reasonable and fair process? That is a minimum; but the fact is that the Education Secretary should simply withdraw the list altogether, and think again about destroying the hopes and aspirations of at least 700 communities around the country. Surely it is obvious that this whole process has become discredited, as has the Education Secretary himself—not least because

he keeps telling the House that funding had not been agreed for these schools. He continued to say that in the House even after the permanent secretary had issued a letter saying that it was categorically not the case.

Finally, last week I asked the Deputy Leader of the House to place in the Library the Treasury paper on the 1.3 million people who were going to be thrown out of work because of the Budget. Neither that nor the advice given to the former coalition Chief Secretary on the future jobs fund has appeared. That meant that we had an Opposition day debate yesterday on jobs and unemployment with those two crucial documents withheld from us. How can the Leader of the House possibly justify that when the coalition agreement specifically refers to openness and transparency in government? Will he now place these documents in the Library as a matter of urgency?

Sir George Young: I am grateful to the right hon. Lady for her questions, and I hope that the *The House Magazine* might one day carry an article entitled "Leading lady", in which she features. I got on very well with Lady Thatcher—so well that she appointed me to her Administration not once, but twice.

On the police grant order, there will still be an increase in the resources available to the police even after that order, which will be debated next Wednesday. The right hon. Lady knows full well the reason for that order: in the words of the Labour Chief Secretary, "There is no money left."

On crime, it is important that the actual crimes recorded by the police are used alongside the statistical analysis of the British crime survey. Indeed, that was the measure most often used by Labour Members when they criticised our record in government. We have quoted the only statistics that are available on recorded crime across the period, but I can tell the right hon. Lady that the Home Secretary has written to the shadow Home Secretary stating that we are reviewing how crime statistics should be collected and published in future, and we will make further announcements in due course.

On the subject of apologies, both the Home Secretary and the Education Secretary have had the decency to come to this House and apologise when things have gone wrong. We have had no apology from the Labour Benches, however, for one in five young people being unemployed, and we have had no apology for Labour selling the gold at the lowest level for some 20 years, or for leaving us with the worst budget deficit in Europe.

The right hon. Lady will have seen the question the hon. Member for Gateshead (Ian Mearns) asked about the school list, to which my right hon. Friend the Education Secretary replied:

> "It is my belief that the list we have placed in the Vote Office is accurate."—[*Official Report*, 7 July 2010; Vol. 513, c. 492.]

He went on to say that he understood that double-checking was now taking place within the Department. My right hon. Friend also set out the criteria used to make the decisions at some length in his statement on Monday, and he was questioned about them for an hour and a quarter. The right hon. Lady should remember, however, that the reason for the statement was the over-commitment of resources by the outgoing Secretary of State, who acted irresponsibly by over-relying on end-year flexibility when the resources simply were not there.

We had a debate on unemployment yesterday, and the Minister of State, Department for Work and Pensions, my right hon. Friend the Member for Epsom and Ewell (Chris Grayling), pointed out that over the next few years there will be an increase of 1.5 million in the number of people working.

Mr Peter Bone (Wellingborough) (Con): On Monday the House adjourned at 10.49 pm, on Tuesday at 2.48 am the following morning and on Wednesday at 8.13 pm. That is very good for holding the Government to account, but for Members who, because of the Independent Parliamentary Standards Authority, have up to a two-hour commute home, it is not sustainable. May we have a statement next week on whether IPSA has broken parliamentary privilege by restricting the ability of some hon. Members to carry out their duties?

Sir George Young: On the narrow issue of privilege, that is a matter for Mr Speaker. My hon. Friend will know the procedure that needs to be gone through if anyone asserted there had been a breach of privilege, but may I also say the following to my hon. Friend? Earlier this week for the first time we had a seriously late-night sitting against the background of the new constraints imposed on the House by IPSA. I am aware that a large number of hon. Members were seriously inconvenienced by what happened, and that is something that I and others propose to pursue in a dialogue with IPSA.

Clive Efford (Eltham) (Lab): May we have a debate in Government time on capital allocations following the Building Schools for the Future announcements, and possibly for two days, given how many hon. Members would wish to raise issues relating to their local schools? The list that was published yesterday still contains numerous errors in the Greenwich schools listed. A "Broadoak" school is listed as "Unaffected"—that is hardly surprising, given that it does not exist. The "University Technical College" is linked with Eltham Hill school, but Eltham Hill school is also listed separately. The Business Academy Bexley, which opened six years ago, the St Paul's academy, which opened in January, and Charlton special school, which opened in September 2008, are also all on this list. What criteria were used to produce this list? It is arbitrary. What account has been taken of the capital needs that will have to be met, such as essential repairs and improvements to electrics? If we do not have a debate, how can we get to the detail of what has produced this list?

Sir George Young: I will of course raise with the Secretary of State for Education the hon. Gentleman's specific points about the accuracy of the list, but that contrasts with the need for the list. That need was set out in some detail on Monday, and Labour Members have not explained in any way where they would have found the resources necessary if they had wanted to go ahead with the BSF programme.

Nick de Bois (Enfield North) (Con): Will the Leader of the House find time for us to debate the appalling standards of commuter travel for many rail travellers in my constituency? Will he allow us to have the chance to press for wider local consultation given the upcoming local franchises?

Sir George Young: My hon. Friend makes a forceful case for a debate, and I see the Chairman of the Backbench Business Committee in her place. May I also say to my hon. Friend that he will have the opportunity to raise the matter with Transport Ministers at Transport questions on 22 July?

Andrew Miller (Ellesmere Port and Neston) (Lab): The right hon. Gentleman is an experienced Member and he has been a Select Committee Chairman. Can he explain to the House what the delay has been in getting the right order before us in respect of the Select Committee on Science and Technology? I understand that there is still a Conservative vacancy, and at least one Conservative Member from the new intake has come to me to ask how to get on the Committee. I directed him to the Whips. Can the Leader of the House ensure that the Committee is established as quickly as possible, so that we can have our first meeting next Wednesday?

Sir George Young: I am grateful to the hon. Gentleman for that, and I congratulate him on his post as Chairman of that Committee. If he looks at today's Order Paper, he will see that a large number of Select Committees have been nominated by the Committee of Selection. However, it was not able yesterday to make progress with five or six Committees. I have been in touch with the Chairman of the Committee of Selection, and I understand that he hopes to make very swift progress with the remaining Committees. I am sure that he will take on board the very helpful suggestion that the hon. Gentleman has made about a vacancy.

Adam Afriyie (Windsor) (Con): I very much welcome the coalition Government and think they stand a good chance of putting right some of the mistakes of the previous Government. I am a great believer in evidence-based policy making. It seems to me that the Deputy Prime Minister often asserts the "great demand" for constitutional change, so could we have a debate about the evidence base for those statements so that we can examine the rool of them?

Sir George Young: Looking ahead, I have to say that the House will be doing very little but debate constitutional change in the weeks ahead. There will be a debate on the Report stage of the Bill to which my hon. Friend has alluded, and there will be ample opportunity to debate constitutional change and reform in the weeks ahead. I hope that I have correctly understood his question.

Glenda Jackson (Hampstead and Kilburn) (Lab): May we have an urgent debate—I stress the need for it to be urgent—on Building Schools for the Future? Following on from the question posed by the hon. Member for Windsor (Adam Afriyie) on the necessity for evidence-based decisions, may I say that what has become increasingly clear is that the Secretary of State for Education has never presented to this House, either in debate or in a statement, any kind of proof that his decisions were based on evidence, either of the economic need or of the educational need? Absolutely no detail has been provided, so one is left with the feeling that there is no Building Schools for the Future programme. This has caused enormous disquiet across the whole country, not least in my constituency. May I just point out to the Leader of the House that the people who are suffering most for the inequity and incompetence of the Secretary of State are our children? Our children are this country's future, so it behoves this Government to afford proper time to this House to examine whether there is indeed a Building Schools for the Future programme, because the Secretary of State has markedly failed to convince any of us.

Sir George Young: I do not agree with the assertion at the beginning of the hon. Lady's question. My right hon. Friend the Secretary of State for Education set out very clearly in his statement on Monday the criteria that we used for deciding which projects would go ahead and which would not. He then answered questions for an hour and a quarter on those criteria. However, the hon. Lady will have a further opportunity next Monday, in Education questions, to pursue the matter.

Lorely Burt (Solihull) (LD): May we have a debate on empty property business rates? In my constituency, Asda, having been denied building permission more than 10 years ago, has allowed the property to go to rack and ruin. It is a total eyesore for local residents, yet the Revenue apparently, I am told, owes Asda £2 million in back rates that Asda is allowed to claw back. That surely cannot be right. May we have a debate on that, please?

Sir George Young: I understand the anxiety that the hon. Lady expresses. On 15 July, there will be Communities and Local Government questions and she will have an opportunity to make her point to Ministers.

Thomas Docherty (Dunfermline and West Fife) (Lab): This morning, the Under-Secretary of State for Transport, the hon. Member for Hemel Hempstead (Mike Penning), slipped out that the merchant shipping regulations on ship-to-ship transfers of oil carried as cargo will be delayed until next year following lobbying by Lib Dem and Tory MPs. This announcement has been met with horror by organisations in Scotland such as the Royal Society for the Protection of Birds, Fife council and communities on both sides of the Forth. Will the Leader of the House find time for an urgent debate in this Chamber or in Westminster Hall next week or the week after so that Members have an opportunity properly to debate this matter rather than having it simply slipped out on a Thursday?

Sir George Young: I take the hon. Gentleman's point. On 22 July, there will be Transport questions, but in the meantime I shall draw his anxiety to the attention of my right hon. Friend the Secretary of State for Transport and get a response.

Andrew Griffiths (Burton) (Con): This week, Toyota announced 750 job losses at its plant in Burnaston. That will have a devastating impact on families in my constituency and that of my hon. Friend the Member for South Derbyshire (Heather Wheeler). I have already met my right hon. Friend the Secretary of State for Work and Pensions to discuss what we can do to get those people back into work, but given that we have seen a 10% decrease in the output of manufacturing since 1997 and given that that decline has been three times faster than the decline under the Conservative Government of the 1980s, may we have an urgent debate on support for manufacturing industries?

Sir George Young: We shall debate the Finance Bill in the coming week, but I hope that my hon. Friend will agree that, against the background of the very disappointing news that he has outlined, some of the measures in the Budget are designed to help manufacturing industry, such as the reduction in corporation tax over the next few years, which is designed to promote inward investment. I hope that those policies will result in a turnaround in the unemployment position in his constituency.

Michael Connarty (Linlithgow and East Falkirk) (Lab): Will the Leader of the House press the Health Secretary and other Ministers responsible to come to the House and create a debate on the strategy to deal with obesity in this country? This is not just a question for England, because when I go around my constituency I am shocked by the amount of obesity that I see. We are all being abandoned by the Health Secretary and the Department for Business, Innovation and Skills, because they will not ban trans fats from processed food. They appear to have abandoned us to the processed food industry by abandoning the strategy against obesity in England. It is a very important matter because it is damaging the health of our constituents' children and bringing early death to our constituents.

Sir George Young: Obesity is an important issue, although, happily, it is not one that either the hon. Gentleman or I would appear to suffer from. My right hon. Friend the Secretary of State for Health has made it clear that, where possible, he wants to work with the industry rather than against it. That is the background to the announcements that he has just made. I agree with the hon. Gentleman, however, that this is an issue that, if possible, we should find time to debate. If we cannot, there will be an opportunity to raise it during Health questions.

Dr Julian Lewis (New Forest East) (Con): I hope that I have not been called with reference to the last question, Mr Speaker.

The Leader of the House worked his magic when asked for a full day's debate on the strategic defence and security review and supplied one about a week later. Will he work his magic again, following yesterday's statement on Afghanistan, and arrange a full day's debate on strategy in Afghanistan? Will he have a word with his counterparts in the other place, where there are many experts on this subject, so that they too might express their views on this extremely important subject?

Sir George Young: I am grateful to my hon. Friend. It is the Government's intention that the House should be kept regularly up to date on the position in Afghanistan and, as he knows, there was a statement by the Secretary of State for Defence yesterday. It is our intention to carry on with that process and to have statements and, where appropriate, debates. I am sure that my colleagues in the other place will have heard my hon. Friend's request for business there—that is happily a responsibility that does not currently rest with me.

Mr Phil Woolas (Oldham East and Saddleworth) (Lab): The right hon. Gentleman may have had time to read the Law Commission report on the reform of ombudsmen. Will he tell the House his view of the MP filter, whereby referrals are made to the parliamentary ombudsman only through Members of Parliament? Does he support that situation?

Sir George Young: I am grateful to the hon. Gentleman. Whether our constituents should have to go through us to have access to the ombudsman or whether they should have direct access has been an issue for some time. There is a Select Committee of this House that has responsibility for the ombudsman. Before I opine, it would be very helpful if the Public Administration Committee, which is the right Committee, were to have another look at this and see whether we need to retain the MP filter.

Mr Edward Timpson (Crewe and Nantwich) (Con): Despite the record amount of money spent on our national health service in recent years, there are wards in Crewe and Nantwich where the life expectancy of men and women is still up to 10 years less than in neighbouring wards. May we have a debate on the issue of health inequalities so that these unacceptable disparities can be discussed and debated?

Sir George Young: My hon. Friend has brought to the attention of the House a very important issue, namely the very wide discrepancies in life expectancy according to where people live and their socio-economic background, and which this Government want to reduce. I am not sure whether I can find time for a debate in the near future, but the Chair of the newly appointed Backbench Business Committee will have heard his plea. I will raise the issue with my right hon. Friend the Secretary of State for Health and see whether we can get a response for my hon. Friend.

Pat Glass (North West Durham) (Lab): I was recently approached by the chamber of commerce in my constituency and told it was expecting a loss of 17,000 construction jobs as a result of public sector cuts. That was before what happened with BSF. May we have an urgent debate on the loss of public sector construction jobs as a result of what has happened with BSF?

Sir George Young: I am sure the hon. Lady knows that under the last Administration there was a forecast reduction in public sector jobs. So far as employment is concerned, as I said a moment ago we had a debate about this yesterday and the Minister of State, Department for Work and Pensions, my right hon. Friend the Member for Epsom and Ewell (Chris Grayling), pointed out that it was forecast that there would be an increase of 1.5 million jobs over the next few years. I hope that some of those will be in the construction industry. In the first statement that we made on public expenditure, we put back in a sum of money for social housing. Housing is an important ingredient in our programme. I hope that as the economy recovers there will be more work in the construction industry, building the houses that our constituents need.

Philip Davies (Shipley) (Con): Following the excellent comments by our right hon. Friend the Secretary of State for Communities and Local Government about the need to abolish council non-jobs, may I urge my right hon. Friend to grant a debate on this subject so that we can all give our suggestions as to which politically correct council non-jobs should be abolished? Will he ensure that it is a full day's debate, because I think that he will find that there are plenty of them?

Sir George Young: It would be very sad if we had to wait for a full day's debate before my hon. Friend could supply the House with his list of jobs that could be reduced. My hon. Friend is an ingenious person and I am sure he will find an outlet for the long list that he apparently has detailing how money might be saved.

John Cryer (Leyton and Wanstead) (Lab): Following my hon. Friends' questions, may I draw the Leader of the House's attention to early-day motion 399 in my name and that of my hon. Friend the Member for Walthamstow (Stella Creasy)?

[That this House condemns the Government's decision to cancel the Building Schools for the Future (BSF) programme for a number of schools in the London Borough of Waltham Forest; notes that parents, pupils, governors, teachers and other staff have often worked hard and valiantly under difficult conditions over many years; further notes that the BSF programme promised new buildings and vastly improved conditions for staff and students; and considers that this announcement will be a serious setback for education in Waltham Forest.]

Aside from the issue of the veracity of the announcements in the various lists that have been released, another problem is the fact that this matter will affect some of the poorest and relatively poorest communities in Britain, who have been looking forward to having new school buildings for many decades and who are now going to be let down. Rather than just receiving a statement from the Secretary of State for Education, we really need a full day's debate on this.

Sir George Young: It is always open to the Opposition to use one of their Opposition days for a debate on this subject, but I repeat that the reason for Monday's statement was that, as the former Chief Secretary said, there is no money left and steps had to be taken to restore confidence in the public finances.

Robert Halfon (Harlow) (Con): Will the Leader of the House find time for a debate on the Tenant Services Authority? Councillor Lee Dangerfield, the chairman of housing in my constituency, has received a letter from the TSA asking him to waste more money on needless inspection regimes and plans costing £70,000. Is that not an obscene waste of taxpayers' money when we need to cut our cloth according to the situation and give Harlow taxpayers value for money?

Sir George Young: My hon. Friend might know that the role and functions of the TSA and the framework for social housing regulation are being reviewed. The review is informed by our commitment to reducing the number and cost of quangos and to cutting unnecessary regulation and inspection, and it will conclude as quickly as possible.

Chi Onwurah (Newcastle upon Tyne Central) (Lab): The Leader of the House might not have had time to read the report by the independent Work Foundation on the geography of the recovery and on coalition policies, but it clearly says that although current coalition policies might lead to some recovery in the south and in the services sector, they will not support job creation in the regions. Can we have an urgent debate on how job creation in the regions is to be supported and on what the coalition's policies for that should be?

Sir George Young: That issue was covered yesterday to some extent. It was precisely to redress the imbalance between north and south that we set up a £1 billion regional development fund. I hope that the hon. Lady will encourage her constituents to apply for resources under that fund.

Christopher Pincher (Tamworth) (Con): Does my right hon. Friend agree that although the development of high speed rail services is vital for our national economy, depending on which route is chosen, there will be a significant impact on many local communities, including Hints, Weeford and Drayton Bassett in my constituency? Does he agree that we should discuss in the House the best mechanism, depending on the method and route chosen, by which to maximise the use of existing infrastructure and brownfield sites to minimise the impact on green spaces?

Sir George Young: As a former Secretary of State for Transport with a real commitment to the railways, I agree that where it is practical so to do we should use existing track and routes rather than new ones. Where a new route is necessary, there should be the fullest consultation before that route is finally decided on.

Mr John Spellar (Warley) (Lab): Will the Leader of the House ensure that there is adequate time in the debates on the Academies Bill to discuss the way in which the Secretary of State for Education proposes to shower money on so-called free schools while drastically cutting money to schools in Sandwell, particularly Perryfields and Bristnall Hall in my constituency? There is also a question mark over Shireland. Is that proposal not an insult to the children, teachers and communities concerned and is it not a gross misdirection of resources?

Sir George Young: I would not describe the academies programme in exactly the terms used by the right hon. Gentleman. The answer to his question is yes, there will be lots of time during the debate on the Academies Bill for him to make his case and for my right hon. Friend the Secretary of State robustly to reject it.

Mr David Nuttall (Bury North) (Con): Will the Leader of the House please find time for a debate on the unfairness arising from the fact that Members of Parliament who represent constituencies in Scotland can vote on matters such as education and schools that affect my constituents, but that I and other Members who represent seats in England have no reciprocal right to vote on matters affecting education in Scotland?

Sir George Young: My hon. Friend might be familiar with a document that was published in the last Parliament by the Democracy Taskforce, of which I was a member, which addressed the West Lothian question. If he looks at the coalition agreement, he will see that our proposal to deal with this anomaly is to set up a commission to look into the issue and to report back with proposals.

Mr Dennis Skinner (Bolsover) (Lab): Following on from questions regarding Building Schools for the Future, is the Leader of the House aware that the list referred to the fact that Tibshelf school in my constituency would not go ahead but did not mention that Deincourt school in the neighbouring constituency of North East

Derbyshire is due to be closed because the Tibshelf school was expected to go ahead? So, two constituencies are involved, there were plans for a Deincourt school replacement and the net result is that the ripples are still travelling as far as the Tory county council. What are the Government going to do about this? When are they going to sort it out? Why can Tibshelf not have that school?

Sir George Young: I hope that the hon. Gentleman will be in his place on Monday for Education questions when he can ask that precise question.

Mr Skinner: I'll be there.

Sir George Young: I will ensure that my right hon. Friend the Secretary of State is ready for him.

Paul Goggins (Wythenshawe and Sale East) (Lab): There has been considerable speculation in recent days that the Government intend to bring forward legislation to amend the civil service compensation scheme. Given the scale of cuts already envisaged, this is causing considerable additional anxiety to those who work in our public services. Will the Leader of the House arrange for Cabinet Office Ministers to come quickly to the House and set out precisely what the Government intend?

Sir George Young: The answer is yes, because we will be introducing legislation to amend the civil service compensation scheme. In doing so, we will be taking forward policies of the outgoing Government that were unable to proceed because, on the application of the Public and Commercial Services Union, the High Court quashed the details of the scheme that was going forward. We need legislation to get around that. Our objectives are not wholly different from those of the outgoing Administration, namely to bring those in the civil service scheme into line with those in the private sector.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): The Leader of the House will be aware that this week's second and final report of the Independent Commission on Funding and Finance for Wales called for an immediate Barnett floor to protect Wales from further convergence, the implementation of transition mechanisms towards a needs-based formula for my country and a place at the table for the Welsh Government in discussions on fiscal autonomy for Scotland. Will he ask for a debate in Government time on those proposals?

Sir George Young: There will be questions on Wales on 28 July, I think. In the mean time, I shall bring the hon. Gentleman's views to the attention of my right hon. Friends the Secretaries of State for Wales and for Scotland. I am aware of the importance of issues concerning the Barnett formula.

Gordon Banks (Ochil and South Perthshire) (Lab): Protecting the most vulnerable in our society should be a basic principle of government, so may I urge the Leader of the House to create the opportunity to debate, in Government time, the statement of 15 June 2010 by the US Consumer Product Safety Commission, Health Canada and the European Commission's directorate-general for health and consumers regarding the safety of looped blind cords so that we can put an end to the strangulation of children by looped blind cords in this country?

Sir George Young: I agree that protecting the most vulnerable is an important objective for any Government. That is why, in the Budget, we took 800,000 people out of tax and increased the rate of capital gains tax and that is why our proposals are designed specifically to protect the most vulnerable from the measures that are necessary in the public interest.

Roberta Blackman-Woods (City of Durham) (Lab): May I earnestly press the Leader of the House on the need for an urgent debate on the impact of the BSF cuts that were announced on Monday? I am not sure that he is fully aware of the concern that is being expressed in constituencies such as mine about the impact of these dreadful cuts not only on our young people but on local construction jobs in an area that greatly needs employment.

Sir George Young: I am well aware of the concern, because I sat through the exchange, as I am sure she did, at 7.15 pm yesterday when colleagues made their views known and I have seen the *Hansard* report of the statement on Monday afternoon. I would be misleading her if I said that I could find time for a debate on this issue. I have outlined the business from now almost until the House rises and I am not sure that I can find time for a debate on it.

Kevin Brennan (Cardiff West) (Lab): A couple of weeks ago, when I asked the Leader of the House for a debate on the use of extended travel money by Opposition Front-Bench spokespersons, he told me that they should rely on Short money. The Library has kindly provided some figures from the last Parliament that show the average amount per Member for extended travel was £296 and the average per Conservative shadow Cabinet Member was £1,748.58. The right hon. Member for Havant (Mr Willetts), now the Minister for Universities and Science, spent £3,763 and the right hon. Member for North Shropshire (Mr Paterson), the Secretary of State for Northern Ireland, spent £13,573. I am not criticising them; they were simply doing their job as Opposition Front-Bench spokespersons. The Leader of the House is a fair man, so will he look into this? Is it right to deny us in opposition the opportunities his party had in opposition to do their job?

Sir George Young: The hon. Gentleman makes a good point, in that the regime for extended travel in the last Parliament appears to have been more generous than the new extended travel regime introduced by the Independent Parliamentary Standards Authority. The issue has already been raised with IPSA by me and by some of the hon. Gentleman's hon. and right hon. Friends, and I shall pursue the matter to see whether we can get some equity of treatment.

Steve McCabe (Birmingham, Selly Oak) (Lab): I am disappointed by the almost glib way the Leader of the House sought to dismiss our concerns about the Building Schools for the Future fiasco. Do the Government not owe it to the people of this country, including my constituents who send their children to King's Heath Boys, to give us a full debate in Government time so that we can understand what went on? Is it a question of competence on the part of the Secretary of State? Is it a communication problem with his officials? Is it a sign of things to come, as the Government attempt to make

[Steve McCabe]

cuts left, right and centre? Far from providing stability, we are in for months and years of misery and chaos, and if the Leader of the House is not prepared to let us understand what went on, I suspect he is trying to cover something up.

Sir George Young: May I say to the hon. Gentleman that each year 20 days are allotted for Opposition debates? If he and his hon. Friends believe that they have a case against the Administration on incompetence, it is open to them to choose as a subject for an Opposition day exactly the issue he has raised—the handling of Building Schools for the Future.

Toby Perkins (Chesterfield) (Lab): In Prime Minister's questions yesterday, the Prime Minister elected to answer a question by, in his words, trying to boost sales of a book that I understand was published by an organisation part-owned by Lord Ashcroft. Can the Leader of the House assure us that rather than questions to the Prime Minister resulting in all Members of Parliament receiving an e-mail from the publishing firm—almost as though it knew what would happen—they are there to provide enlightenment to members of the public and not for the Prime Minister to make a sales pitch on behalf of Conservative party benefactors?

Sir George Young: I think that there is some room in our proceedings, at some times, for just an element of humour. I hope that Ministers will not be penalised or discouraged if occasionally, every now and then, they use a sense of humour.

Barry Gardiner (Brent North) (Lab): The work of citizens advice bureaux is widely regarded on both sides of the Chamber. Will the Leader of the House make a debate available so that we can discuss the cuts to citizens advice bureaux—approximately £2.5 million this year—with which they are finding it extremely difficult to cope? As all Members know, such cuts increase pressure on their constituency surgeries and on legal advice centres as well.

Sir George Young: I pay tribute to the work of citizens advice bureaux, particularly the ones in Andover and Tadley in North West Hampshire. I think it is an appropriate subject for a debate in Westminster Hall, but if the hon. Gentleman is advocating that more funds should go to a particular area of expenditure he owes it to the House to identify some areas of savings to compensate for that.

Derek Twigg (Halton) (Lab): May I ask the Leader of the House for an urgent debate on the terms of reference for the review of education capital expenditure announced by the Secretary of State for Education earlier this week? Has the Leader of the House had the chance to see that buried deep in the terms of reference, under the heading "Reducing the burden on schools" are the following words:

"To review and reform the requirement on schools, including the building/School Premises Regulations, design requirements and"

—most important—"playing field regulations". Does that mean not only that we shall see new schools stolen from under the noses of our children but also that their playing fields will be sold off?

Sir George Young: If the hon. Gentleman comes along on Monday he can put that question to the Secretary of State for Education and get an answer.

Chris Leslie (Nottingham East) (Lab/Co-op): Might we have time to debate the serious and worrying developments—human rights abuses and stories of unlawful killings—in the Srinagar area of Indian-administered Kashmir? There are many ongoing concerns, particularly about the Kashmir question and it is about time that India and Pakistan found a way to move towards a peaceful and democratic future for Kashmir.

Sir George Young: I agree. It is a serious issue that ought to be debated and it seems to me an appropriate subject for Westminster Hall.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): May I echo the request made by many of my hon. Friends and ask the Leader of the House to find time for an urgent debate on BSF? On a number of occasions, the right hon. Gentleman has referred to the opportunities offered by Opposition day debates, but as far as I am aware an Opposition day debate has not been allocated before the recess. One hundred and ten of the projects slashed were schools in the north-west, and 57 of them were in Merseyside and Cheshire alone. We need to debate the disproportionate impact of those cuts on the life chances of children from across the north-west.

Sir George Young: I am sorry to have to give the same answer as I gave a few moments ago. I cannot find time for an urgent debate on that subject. I have outlined the debates that are likely to take place between now and the end of the month. Again, I have to say that the reason for the announcement was the over-commitment of the outgoing Government of funds and the absence of the cover necessary in Departments to meet those commitments.

Chris Bryant (Rhondda) (Lab) *rose—*

Mr Speaker: I have been saving him up—Mr Chris Bryant.

Chris Bryant: Thank you very much, Mr Speaker, for saving me up.

In answer to the splendid and hon. Member for Windsor (Adam Afriyie), who frankly should have been on the Government Front Bench, the Leader of the House got a bit ahead of himself. He said that we were about to have weeks of debating a constitutional reform Bill, but actually we have not yet been told whether there will be one Bill or two. We have not even been told when the First Reading will be, let alone Second Reading or any other stages. The Bill has not been published yet. Will the right hon. Gentleman undertake to tell the House when the Bill is to be published, in advance of its being published, and that it will not be on the last day before the recess?

Sir George Young: I am not getting ahead of myself at all. If the hon. Gentleman had listened to the statement made by the Deputy Prime Minister on Monday, he would have heard clearly outlined the legislation that would be introduced on constitutional issues. There will be a Bill on the alternative vote system and boundaries,

and there will be a Bill on fixed-term Parliaments. That is likely to take some time for us to discuss and there will be opportunities for the hon. Gentleman and my hon. Friend the Member for Windsor to raise the issues that concern them on the Floor of the House.

Barbara Keeley (Worsley and Eccles South) (Lab): On a point of order, Mr Speaker.

Mr Speaker: The hon. Lady can raise a point of order, but only after the statement. Perhaps she could hold her horses for a little while.

Terrorism Act 2000 (Section 44)

12.18 pm

The Secretary of State for the Home Department (Mrs Theresa May): Mr Speaker, I would like to make a statement on stop-and-search powers under section 44 of the Terrorism Act 2000.

On Wednesday last week, the European Court of Human Rights ruled that its judgment in the case of Gillan and Quinton is final. This judgment found that the stop-and-search powers granted under section 44 of the Terrorism Act 2000 amount to the violation of the right to a private life. The Court found that the powers are drawn too broadly—at the time of their initial authorisation and when they are used. It also found that the powers contain insufficient safeguards to protect civil liberties.

The Government cannot appeal against this judgment, although we would not have done so had we been able to. We have always been clear in our concerns about these powers, and they will be included as part of our review of counter-terrorism legislation.

I can, therefore, tell the House that I will not allow the continued use of section 44 in contravention of the European Court's ruling and, more importantly, in contravention of our civil liberties. But neither will I leave the police without the powers they need to protect us.

I have sought urgent legal advice and consulted police forces. In order to comply with the judgment—but to avoid pre-empting the review of counter-terrorism legislation—I have decided to introduce interim guidelines for the police. The test for authorisation for the use of section 44 powers is, therefore, being changed from requiring a search to be "expedient" for the prevention of terrorism, to the stricter test of its being "necessary" for that purpose; and, most importantly, I am introducing a new suspicion threshold. Officers will no longer be able to search individuals using section 44 powers; instead, they will have to rely on section 43 powers, which require officers reasonably to suspect the person to be a terrorist. And officers will only be able to use section 44 in relation to searches of vehicles. I will only confirm these authorisations where they are considered to be necessary, and officers will only be able to use them when they have "reasonable suspicion".

These interim measures will bring section 44 stop-and-search powers fully into line with the European Court's judgment. They will provide operational clarity for the police. And they will last until we have completed our review of counter-terrorism laws and taken any relevant action arising from that review.

The first duty of Government is to protect the public. But that duty must never be used as a reason to ride roughshod over our civil liberties. I believe that the interim proposals I have set out today give the police the support they need and protect those ancient rights. I commend the statement to the House.

Alan Johnson (Kingston upon Hull West and Hessle) (Lab): I am grateful to the Home Secretary for early sight of the statement. The fifth anniversary of 7/7 yesterday reminded us all of the threat to this country and the tremendous work of the security services and the police in protecting our citizens from harm. The Prime Minister pointed out on Tuesday—very eloquently, I thought—how real those threats continue to be.

[Alan Johnson]

The Home Secretary will be aware that the European Court's judgment was based on the way that section 44 powers were used by the Metropolitan police some years ago, and that the previous Government, together with the police authorities, reviewed and improved their procedures in the intervening period. Will she confirm that the number of stop and searches under section 44 has reduced considerably over the last two years? She will also be aware that all the UK courts, including the High Court and the House of Lords, rejected the argument that the Gillan and Quinton case represented a breach of article 8. In particular, the Law Lords were doubtful whether an ordinary, superficial search of the person could be said to show a lack of respect for private life. Even if article 8 did apply, they said the procedure was used in accordance with the law and it was impossible to regard a proper exercise of the power as other than proportionate when seeking to counter the great danger of terrorism.

The Home Secretary will also be aware that the Select Committee on Home Affairs examined this issue thoroughly in 2005, when the current Prime Minister was a member of that Committee, and rejected the allegation that the Asian community was being unreasonably targeted by the Metropolitan police in its use of section 44 powers. She will also know that while the independent reviewer of terrorism legislation, Lord Carlile, had concerns that section 44 powers were being used too often—this was before the changes in 2007-08—he stated clearly that

"the power remains necessary and proportional to the continuing and serious risk of terrorism".

Given all those facts, I am amazed that the Home Secretary would not have pursued an appeal, given that every court in this country rejected the argument in respect of Gillan and Quinton.

Nevertheless, we are where we are in terms of the legal avenues in Europe, and it does seem to me sensible to change the test for authorisation from "expedience" to "necessity" and to use a test of "reasonable suspicion", but I am deeply concerned about the Home Secretary's intention to restrict section 44 powers to searches of vehicles. That quite clearly restricts the powers of the police.

Was the Police Service of Northern Ireland consulted, given the current dissident threat in Northern Ireland? We sometimes say that there have been no terrorist murders in Britain this year; but there have been in the United Kingdom: there have been terrorist murders in Northern Ireland. What is the view of the Association of Chief Police Officers, and in particular the Metropolitan Police Commissioner, on this restriction? Were they consulted? Was Lord Carlile consulted, and if so, what is his view?

Does the Home Secretary accept that section 43 does not require ministerial authority, and why does she believe it is necessary to go this far, by restricting section 44 to searches of vehicles only, in responding to the European Court's judgment? Is she saying that nothing less will suffice? Did she explore other legislative options, and will she publish for consultation other options for amending section 44, so that the House can see the alternatives and debate them fully?

We have the prospect in this country of the police being asked to continue to protect us with fewer officers, diminished resources and restricted powers. The Home Secretary needs to understand that it is not the coalition agreement that will keep the public safe—it is the security services and the police. The statement today will undoubtedly make their job more difficult.

Mrs May: First, may I echo the comments that the shadow Home Secretary has made about the important work that is done by the police and by our security services? That, of course, was made absolutely clear by the Prime Minister in the statement in relation to detainees that he made in the House earlier in the week, and I echo those comments. Our police forces do sterling work for us and they go out there every day, dealing with difficult circumstances and are—we should never forget this—prepared to put their lives on the line for our safety.

Yes, I can confirm that the number of stop and searches made under the section 44 and section 43 powers has reduced significantly over time. That should not, though, leave us under any illusion that there are not still concerns, not just in relation to the European Court judgment but concerns more generally in the UK about the use of those powers; that is why, as a coalition Government, we were committed to reviewing those powers in any case in our review of counter-terrorism legislation. I believe it is absolutely right to do so.

The shadow Home Secretary asked about other options that were being looked at. Those will be considered within the counter-terrorism review. The purpose of making this statement today was to ensure that police forces have the operational guidance that they obviously need, so that they know what they should be doing now given the European Court judgment. I remind the shadow Home Secretary that I have responded to that judgment, which is clear about the two points—that these powers should be used only when they are necessary rather than expedient, and that there should be a degree of suspicion in order for the powers to be used. It is exactly that which I am now implementing in the statement and in the changes that are being made.

The shadow Home Secretary asks about restricting the use of section 44 to vehicles rather than individuals. Section 43 allows for the stop and search of individuals already with the reasonable suspicion attached to it. He mentioned Northern Ireland. I certainly do not in any way underestimate the importance of these powers in relation to Northern Ireland. I have been in contact with my right hon. Friend the Secretary of State for Northern Ireland and consultations have taken place in Northern Ireland on the use of these powers, but I remind the shadow Home Secretary that there are various other powers that can be used, as set out in the Northern Ireland-specific legislation. For example, under the Justice and Security (Northern Ireland) Act 2007, the PSNI can stop and question individuals to ascertain identity and movements, and can stop and search people in vehicles for munitions and transmitters, and there are a variety of other powers that can be used by the PSNI.

Finally, the shadow Home Secretary said to me that I, as Home Secretary, need to understand. I think what the shadow Home Secretary needs to understand is the degree of concern that there has been about the use of these section 44 powers under the Terrorism Act 2000—the degree of concern that did arise, not just initially from the way in which they were being used by the police, but a continuing concern about the impact on our civil

liberties. I make no apology for the fact—*[Interruption.]* I believe the shadow Home Secretary was looking at a Liberal Democrat, the hon. Member for Carshalton and Wallington (Tom Brake), and muttering about "their obsession". I have to say to the shadow Home Secretary that a desire to protect our civil liberties is not an obsession; it is something that we throughout this House should want to do, regardless of political party. I believe it is the duty of Government to balance the need to give the police the powers they need to protect us, with the need to defend our civil liberties, and I believe that is what the statement does.

Mr David Davis (Haltemprice and Howden) (Con): May I commend the Home Secretary for coming to the House to say what she has said today and particularly for her decision to adopt a necessary, rather than expedient, use of these powers? This is a reflection of the excessive use of counter-terrorism powers by a number of forces throughout the country. In her review of these powers, will she look at their different use in various parts of the country? We know from the London and Glasgow bombings that terrorism is not confined to England, yet the number of uses of the power in England and Wales was well over 100,000 in the past calendar year; in Scotland, it was under 100.

Mrs May: I thank my right hon. Friend for his comments on the statement and for his suggestion, which I am certainly happy to consider. He is absolutely right: the use of the powers among forces has been quite different—not just among England and Wales and Scotland, but between police forces in England and Wales.

Keith Vaz (Leicester East) (Lab): I thank the Home Secretary for her statement. She is absolutely right to have taken the position that she has taken. There is no question of a further appeal, given the circumstances, and she is right to introduce guidelines. Will she share with the House any information about further claims for compensation, which could run to hundreds of thousands, possibly millions, of pounds? We obviously look forward to probing her on these issues when she comes before the Home Affairs Committee. Can she assure us that she will return to the House regularly to continue to pursue the previous Government's counter-terrorism agenda, where we showed zero tolerance; that the claims made by Mr Yates that, somehow, the resources will not be there are ill-founded; and that she will provide all the resources necessary to pursue a strong and vigorous counter-terrorism agenda?

Mrs May: I can certainly assure the right hon. Gentleman that it is the Government's intention to pursue a strong and vigorous counter-terrorism agenda, and we will, indeed, come to the House at various stages in relation to our review of counter-terrorism legislation and any related changes that we wish to make. He asked a specific question about compensation claims. We have, of course, responded quickly to the European Court's judgment, but the Court was clear and agreed with the Government that no compensation should be awarded given the short duration of stop-and-search powers. The finding alone was considered by the European Court as satisfaction, although it ordered the Government to pay legal costs.

Nicola Blackwood (Oxford West and Abingdon) (Con): Can the Secretary of State assure me that the counter-terrorism review to which she referred will draw a line under the abuse of state powers that we have seen over the past decade and that civil liberties will be sacrificed no longer for the sake of new laws that do not make us any safer?

Mrs May: My hon. Friend makes a valid point on the concern that many of us have had about the powers that were introduced by the previous Labour Government: in many cases, those powers did not introduce an increased element of safety. In fact, the shadow Home Secretary referred to the review of counter-terrorism undertaken by Lord Carlile, who said in his 2009 annual report:

"There is little or no evidence that the use of section 44 has the potential to prevent an act of terrorism as compared with other statutory powers of stop and search."

Ian Paisley (North Antrim) (DUP): I must say that I cannot join in the collective hurrah about the removal of powers that the House, not the European Court, should be in charge of. These powers were used successfully on 10,000 occasions last year in Northern Ireland to prevent and disrupt dissident terrorists. The year before that, only 3,000 stop-and-search measures were taken under reasonable suspicion, which is much more difficult to prove and identifies a suspect who may be traced by the police when they do not want him to be identified while they are pursuing him. What measures will now be put in place to ensure that the citizens of Northern Ireland are protected fully, completely and properly from the dissident republican threat?

Mrs May: I am grateful to the hon. Gentleman for raising those issues. Obviously, I recognise the concern that he has raised in relation to the exercise of these powers in Northern Ireland and of the revised powers that I have announced today. The PSNI has a number of other powers available to it, and I referred to a couple of them in the response that I gave earlier to the shadow Home Secretary. The PSNI will still be able to use existing legislation to conduct targeted and intelligence-led stop and searches, to protect its officers and the communities that it serves, but I am happy to write to the hon. Gentleman with more detail about the powers that will continue to be available to the PSNI.

Mr Robert Walter (North Dorset) (Con): May I welcome the Home Secretary's statement and express some surprise at the shadow Home Secretary's attempt to defend the practice that has been ruled illegal? I remind the House that, in 1949, the United Kingdom was the architect of the Council of Europe and the European convention on human rights. Members who represent us at the Council of Europe have been embarrassed over the past few years by some of the previous Government's actions on human rights. Therefore, in any review of anti-terrorism legislation, will we be cognisant of our obligations under the European convention?

Mrs May: I am happy to give that commitment to my hon. Friend, and I thank him for his excellent service on the Council of Europe, which he has undertaken over a number of years. Just as the point was made by my hon. Friend the Member for Oxford West and Abingdon (Nicola Blackwood), we are cognisant in our work to

[Mrs May]

review counter-terrorism legislation of the need to redress the balance between ensuring that our police have the powers necessary to protect the public and protecting our ancient civil liberties.

Barry Gardiner (Brent North) (Lab): I welcome the right hon. Lady's statement today. She will know that I raised these matters in a series of parliamentary questions after the original judgment was issued. What those parliamentary questions elicited was widespread variation in how the powers had been applied. What steps will she take now to hold those chief constables to account for the way in which they abused the powers that were available to them, thus bringing the whole use of the powers into contempt by members of the public?

Mrs May: I am grateful to the hon. Gentleman. As he says, this has indeed been a matter of concern to him for some time. He is right to say that the use of the powers has been variable among forces and over time. It is, of course, within the Secretary of State's remit to ensure that they are used partly through the authorisations, which must be confirmed by the Secretary of State within 48 hours of the appropriate level of police putting those authorisations in place. Of course, we will revert to this issue in the counter-terrorism legislation review, and we will consider that matter at that time.

Tom Brake (Carshalton and Wallington) (LD): If the coalition is obsessed with defending civil liberties, I am proud of that fact. Is the Home Secretary satisfied that the balance between civil liberties and safeguarding our security is adequately redressed with these changes to section 44; or does she believe that further changes may be required to section 44 after the counter-terrorism legislation review?

Mrs May: I am grateful to the hon. Gentleman for his question. The whole point of making the statement today is to ensure that an interim position is available to the police, so that they have operational guidance and clarity about the powers that they can exercise, but precisely because I feel that we need to take a wider look at section 44 and to look at it in the context of other counter-terrorism legislation, we will continue to consider it within the review. I cannot say at this stage whether any further changes will be introduced, but that would be done in the wider context of the review of all counter-terrorism legislation.

Mark Durkan (Foyle) (SDLP): I welcome the Home Secretary's statement today. The European Court judgment was clear; the previous Government's attempt to appeal against it has failed; and she has acted properly in the decision that she has announced today. Does the earlier draft of the Home Secretary's statement that has gone into circulation and that referred to Northern Ireland, particularly to the approach to the parades season, in any way corroborate the suspicion that these powers have been used as a matter of convenience by the police on matters that are not directly a situation where terrorism is suspected? *[Interruption.]* A draft has gone into circulation somehow that made reference to Northern Ireland and the approach to the marching season. I do not know whether the Home Secretary is aware of that, but certainly I and others received that draft. That feeds the suspicion that the power has been used more generally. Does she agree that section 44 was a misjudgment in legislation which has led in some cases to a misapplication of law enforcement?

Mrs May: I am concerned about the point that the hon. Gentleman has made, although I thank him for his comments on the statement. I assure him that the statement that I have made is the one that was drafted and that I saw this morning in the Home Office before I came to the Chamber. I am concerned if he has seen an alternative version, and I will look into that matter. I am very conscious of the possible impact in Northern Ireland. That is precisely why the Secretary of State for Northern Ireland and I have been discussing this issue over a number of days, and he has been consulting in Northern Ireland on the statement's impact. I believe that the PSNI had been exercising its powers under the legislation in relation to necessity and reasonable suspicion, and it can continue to do so as a result of the statement that I have made today. As I indicated in an earlier response, other powers will still be available to the PSNI.

Graham Evans (Weaver Vale) (Con): Will the Secretary of State reassure the House that the police can continue to use existing stop-and-search powers to combat drug dealers and those carrying knives and guns, and that counter-terrorism legislation ought never to be used for those purposes?

Mrs May: I am grateful to my hon. Friend for that question, which enables me to be clear that the other stop-and-search powers are not affected by the statement. The statement relates to the Terrorism Act 2000, particularly section 44, although other sections are part of the change. I am changing the guidance on section 44, but other stop-and-search powers are still available to police.

Steve McCabe (Birmingham, Selly Oak) (Lab): I accept that the Home Secretary has acted speedily in view of the Court's decision. Will the interim guidelines be published? Although I accept her point about civil liberties, is she confident that police officers will not now go in fear of disciplinary action as they attempt to exercise reasonable suspicion in their efforts to protect the rest of us?

Mrs May: On the hon. Gentleman's last point, I am confident that that will not be the case. The purpose of the statement today, as he recognises, is to give clarity at as early a stage as possible to police officers on how they are to operate the guidelines. The guidelines will be published, including in the *Hansard* report of my statement.

Mark Reckless (Rochester and Strood) (Con): The Home Secretary should realise that the new guidelines will be very welcome in Kent, where we have had to deal with a number of criticisms of the use of stop-and-search, particular with respect to the climate camp at Kingsnorth. Does she agree that although senior police officers should be consulted on such matters, it is essential that national policy guidance should be determined by her, as the Minister accountable to Parliament, and not the Association of Chief Police Officers?

Mrs May: I am grateful to my hon. Friend for his question. His observation of the difficulty arising from the exercise and use of those powers in Kent shows precisely why there has been fairly widespread concern about them. He is entirely right, which is why I have come to Parliament today to make this statement. The decision on the guidance that is issued to police forces is one that I have taken as Home Secretary.

Robert Halfon (Harlow) (Con): Last December, I was subject to section 44—*[Interruption.]* Fortunately, I was sent away and everything was fine, but nevertheless I felt that my liberties as a citizen had been infringed on, and a sense of grievance, albeit a small one, against the authorities. *[Interruption.]* My great problem with what the previous Government did is this: if we believe in liberal democracy, we must also hold out strongly for its values. We weaken those values at great cost. Does the Secretary of State agree?

Mrs May: I am grateful to my hon. Friend for his comments. The shadow Police Minister, the right hon. Member for Delyn (Mr Hanson), mutters from a sedentary position, "It was random," but that is the whole point of the European Court judgment. There needs to be a degree of suspicion if the police are to stop and search somebody. On the rest of my hon. Friend's question, it is important for us to defend our civil liberties. I believe that that is the task of everybody in the House, and I am only sorry that the previous Government chose to infringe those civil liberties in some of their legislative decisions.

Michael Ellis (Northampton North) (Con): Does my right hon. Friend agree that, to be safe, we must keep the whole country on side and ensure that no group feels persecuted or victimised, and that today's announcement is a welcome step in the right direction?

Mrs May: I am grateful to my hon. Friend, who makes an extremely valid point. It is in a sense an extension of the one made by my hon. Friend the Member for Harlow (Robert Halfon)—notably, one difficulty was that parts of the community felt that the way in which the stop-and-search powers were used was disproportionate. The concerns were such that they began to bring into disrepute the police's ability to keep us safe at the same time as we, as a Parliament, maintained our civil liberties.

Mr David Nuttall (Bury North) (Con): I thank my right hon. Friend for her statement. Will she confirm that there will be no increase in police paperwork as a result of the changes?

Mrs May: I am very grateful to my hon. Friend for ensuring that he keeps us up to the mark on our commitments on police bureaucracy. It is certainly not my intention that there should be any increase in police paperwork as a result of the changes.

Points of Order

12.46 pm

Paul Flynn (Newport West) (Lab): On a point of order, Mr Speaker. May I draw your attention to what appears to be a major defect in our procedures in the House? Our sister Parliaments in Canada and the Netherlands—countries that have made similar sacrifices to our country in blood and treasure in Afghanistan—have debated and voted on the deployment of troops to that country. Of course, our deployment took place in 2001, before the precedent was set, prior to the Iraq war, for a vote in the House before troops are deployed. At this turning point in our involvement in Afghanistan—the welcome announcement of our withdrawal of our soldiers from north Helmand and the announcement of a possible exit date—would it not be appropriate that we debate and actually vote to decide whether we want to continue to send our soldiers to Afghanistan?

Mr Speaker: The hon. Gentleman is ingenious, but he knows very well that he is seeking to inveigle me into making what is essentially a political pronouncement, and I must not do that. He has made his point very clearly. How such matters are addressed is a matter for the House. In an earlier incarnation, I had views and expressed them on this matter; in my present role, I do not have views, and therefore will not express them. However, he has expressed his views very clearly, and I have a feeling that he might want to apprise his constituents of the fact of what he said.

Mr Ben Bradshaw (Exeter) (Lab): On a point of order, Mr Speaker. Numerous media reports today and yesterday have suggested that the Government intend to change the date for digital radio switchover, and that they will announce that in a speech being made this afternoon by the Under-Secretary of State for Culture, Olympics, Media and Sport, the hon. Member for Wantage (Mr Vaizey). Have Ministers given any indication that they intend to pay Members of this House the courtesy of informing them of this significant change in policy, which will affect millions of people and businesses in Britain, or is this the latest example of the new Government treating Parliament with complete contempt?

Mr Speaker: Let me say to the right hon. Gentleman that I have certainly received no indication from a member of the Government that he or she intends to make a statement on this matter. The point of order that he raises will have been heard very clearly by those on the Treasury Bench. It is a matter into which I am very happy to inquire. The right hon. Gentleman, who is always keenly abreast of events, will know that I have made my views very clear about the requirement for policy statements by Ministers to be made first to this House and not—I repeat not, for the benefit of those listening on the Treasury Bench; if I could attract the attention of the Minister for Immigration, I should be grateful—outside this House.

Barbara Keeley (Worsley and Eccles South) (Lab): On a point of order, Mr Speaker. In business questions, the Leader of the House frequently directed hon. Members to seek debates in Westminster Hall, so is it in order to ask you to investigate the apparent reluctance of a large group of Departments to answer Adjournment debates there? The same group of only nine Departments that answered debates this week are answering next week, and in the week beginning 26 July. The other larger group of 15 Departments, including the Department for Culture, Media and Sport, the Department for Education, the Foreign and Commonwealth Office, the Department for Environment, Food and Rural Affairs, and the Treasury, are answering for only one week in four—the week beginning 19 July. Can Members seeking a debate with Ministers from one of those 15 Departments be told just why those Ministers are becoming less and less accountable to the House?

Mr Speaker: I say to the hon. Lady, first, that there was—I believe that I am right in saying—at one time a system of alternation, whereby one set of Departments would answer debates in Westminster Hall one week and the other would answer in the subsequent week. Strictly speaking, it is a matter for the Government to decide how to respond to issues, but in so far as the hon. Lady is airing a concern that issues which Members wish to raise are not being responded to, I am happy to look into it. I shall revert to her when I have further and better particulars.

Robert Halfon (Harlow) (Con): On a point of order, Mr Speaker. I have been advised by the Table Office, which has otherwise been incredibly helpful to me in every respect, that I am not permitted to use the word "democratic" in the title of an early-day motion. Given that we are in possibly the greatest Parliament in the world and one of the oldest democracies, do you agree that it is unusual that I should not be allowed to use that word? Would you review the rules so that that word may be allowed its rightful place in this House?

Mr Speaker: The hon. Gentleman is a new Member, although I have known him a long time, so I am sure that he will not be offended if I say that, on the whole, matters of this kind—that appertain to the Table Office and the staff of the House—should not really be raised in the form of a point of order. The hon. Gentleman is certainly entitled to appeal to me, but it is the sort of matter best dealt with not on the Floor of the House.

However, the hon. Gentleman has raised the point and, having had no previous knowledge of what he intended to say, I would respond thus. He pleads the case for being allowed to use the word "democratic" in the title of an early-day motion, but it all depends on the detail—therein lies the devil. I do not know what title he had in mind, but ordinarily the title of an early-day motion, in order to be acceptable to the Table Office, is supposed to be strictly factual. It is not supposed to be argumentative or disputatious. If an hon. Member is unhappy with the advice from the Table Office, he or she can write to me and I will consider the matter.

I hope that that is a helpful answer—it is certainly a comprehensive one—but if the hon. Gentleman has a proposal for a general change to the House's procedures on these matters, his request should be directed to the Procedure Committee.

Glenda Jackson (Hampstead and Kilburn) (Lab): On a point of order, Mr Speaker. During business questions, the hon. Member for Wellingborough (Mr Bone) raised

the issue that IPSA's byzantine procedures may have constituted a breach of parliamentary privilege. My concern is similar. It is that IPSA is markedly failing to pay in any reasonable time the duly accredited invoices presented to my office by those small and medium enterprises that provide services to me and to those small community organisations and charities that furnish me with a room. It may well be that their only recourse is to attempt to bring bailiffs into this House to remove objects from our offices to meet their outstanding payments. Would that constitute a breach of parliamentary privilege? Those small and medium enterprises must have some avenue by which they may receive what is duly theirs.

Mr Speaker: I have just been advised that page 167 of "Erskine May" applies in this context, and I feel sure that the full details of that are well familiar to the hon. Lady. She conjures up a lurid spectacle that will concern many hon. Members, and she does so on the basis of experience, and that is respected. She will be aware that all sorts of discussions take place between Members of Parliament and representatives of IPSA, and that is perfectly proper. However, I am sorry to have to tell her that as things stand it is clear that matters of privilege cannot be addressed by being raised on the Floor of the House in this way. If she wishes to write to me with an argument about a potential breach of privilege, it is open to her to do so. I shall look in my mailbag.

Glenda Jackson: You will find an envelope.

Mr Speaker: I am grateful to the hon. Lady.

Keith Vaz (Leicester East) (Lab): On a point of order, Mr Speaker. This is my maiden point of order to you, so I hope that you will be gentle if I get the wrong approach. Have you any further information about the encampment in Parliament square? On Saturday some guests attending a function in the House went to see the statue of Winston Churchill. They were from abroad and thought that the encampment was a summer fete. They were approached by people from the camp who asked them for money and when it was not forthcoming they were subjected to racist abuse. They could not call the police because the camp is on an island and they did not know that the police could cross the very busy road. Do we know when the camp is to be removed? I have read in the newspapers that the Mayor of London had taken out an injunction but that it had been appealed against. It would be helpful if Members knew what progress had been made.

Mr Speaker: I am very sorry to learn of the experiences that the right hon. Gentleman describes. The short answer to his question is that the issue has been the subject of legal argument. Until that argument is fully resolved, I should be very cautious in what I say. I am keen, as I know others—including the Mayor of London—are keen, that this issue should be resolved satisfactorily in the interests of the public, including visitors to our country, as quickly as possible.

Gordon Banks (Ochil and South Perthshire) (Lab): On a point of order, Mr Speaker. This must be a day for maiden points of order. We have just heard from the Home Secretary about the importance of the Government's responsibility to protect the public. Can I ask you, therefore, whether it is acceptable for the Leader of the House deliberately to ignore the question that I put to him during business questions on the safety of children and looped blind cords? The response by the Leader of the House will be seen by families who have lost children in that manner as grossly unacceptable. Is such a practice appropriate?

Mr Speaker: There is no procedural impropriety concerned. I can almost smell the hon. Gentleman's anger on behalf of his constituents, but he is seeking to continue the debate. Indeed, many Members might conclude that he has already successfully done so.

Mr David Winnick (Walsall North) (Lab): On a point of order, Mr Speaker. You are of course the servant of the House of Commons and it could be argued that you should not make any statements without the authority of the House. However, in a rare exception, I ask whether you feel that you could raise your voice about the act of outright barbarism proposed by the Iranian Government. A 43-year-old woman is to be stoned to death. Her son has pleaded for clemency. Her offence is alleged adultery. I know that it is rare to ask the Speaker of the House of Commons to raise his voice, but a number of leading figures in the international community have done so already. We have been discussing civil liberties in our country, but let us imagine a person being stoned to death for an offence that she denies in any case. It is so primitive, so evil. In the circumstances, I wonder whether you could make a rare exception and, as the Speaker, raise your voice in protest.

Mr Speaker: The hon. Gentleman has served in this House, at this mid-point in his career, for 35 years, if memory serves me correctly, and he knows the real limitations on what the Speaker can say. My concern is that, although the issue that he has raised is a matter of real concern and humanity, it is almost certainly not a point of order. I feel strongly about the protection of civil liberties and human rights, and I take the gravest exception to their abuse.

The hon. Gentleman describes a truly horrific matter. I do not wish to treat anything that he says with levity—and I mean that—but he mentioned how several leading members of the international community had already condemned this prospect. I therefore seek to extricate myself from any difficulty by saying that whatever else the hon. Gentleman thinks of me, I am sure that he would not promote me to the level of a leading member of the international community. He has put his concerns on the record, and I have tried to be as helpful as I can. I hope that we in this House are in favour of human rights, not of their grotesque abuse.

Defendant Anonymity

1 pm

The Parliamentary Under-Secretary of State for Justice (Mr Crispin Blunt): I beg to move,

That this House has considered the matter of defendant anonymity.

I welcome the opportunity to speak on this subject for a second time. On this occasion, I am a little less inhibited by time pressure, but I am conscious of the number of people seeking to catch your eye, Mr Deputy Speaker, so I will not delay the House too much. Since I last addressed the House, in the 7 June Adjournment debate, the Government have reviewed the arguments more fully and our thinking has advanced, and I look forward to the opportunity to explain where matters now stand. I also look forward to dispelling some common myths and misconceptions about our policy.

I emphasise again that the question of anonymity for rape defendants is wholly consistent with our fundamental commitment to supporting victims of crime. Violence against women, girls and vulnerable people is totally unacceptable, whatever the context or circumstances. We know that victims of sexual violence often find it very difficult to report a rape to the police, and of course for those who have felt able to come forward, going through the criminal justice process can be an incredibly difficult and painful experience. Our focus is on the rights and welfare of the victim, and we are committed to ensuring that every victim of rape has access to appropriate support. In particular, we are looking at putting funding for rape crisis services on a more sustainable basis and at establishing new rape crisis centres where there are gaps in provision.

The Government Equalities Office is currently carrying out a consultation on a strategic action plan, including Government action on working with a more sustainable violence-against-women voluntary sector, based on cash, commissioning and capacity building. It closes on 23 July. The action plan suggests a capacity-building project to be carried out in partnership with the relevant umbrella bodies, to support their ability to represent Members and work together to influence the Government. The Home Secretary will be chairing a meeting of Ministers across government later this month to discuss how we tackle violence against women more widely.

We will not conflate myths and stereotypes about false allegations with our detailed work on the proposals for defendant anonymity. This debate is not about doubting victims' reports or repeating uninformed arguments about false allegations. Baroness Stern has stated in her independent and impressive review that this is an area on which we need further research, and the Government are looking into this. I want to make it clear that Baroness Stern's review of the evidence found that only a very few rape allegations are false:

"It is not possible to establish an exact figure and the research that is available gives a wide range of suggested percentages. Some research suggests that a figure of eight to ten per cent of reported rapes could well be false reports. However, those we spoke to in the system felt that there were very few."

Caroline Flint (Don Valley) (Lab): Will the Minister give way?

Mr Blunt: I will give way to the right hon. Lady, but I would like to get through the bulk of my remarks, and make clear the Government's position and the explanation for it. I will then be happy to take further interventions. At this stage, however, I am happy to give way to her.

Caroline Flint: I am pleased that the hon. Gentleman has just put it on the record that, based on the available evidence, there is little evidence of a high rate of false allegations. In that context, will he speak to his right hon. Friend the Prime Minister, who did not help the debate when he said, having been questioned about falsely accused rape defendants:

"We know that a lot of people are falsely accused"?—[*Official Report*, 9 June 2010; Vol. 511, c. 328.]

Mr Blunt: I think that the right hon. Lady will appreciate what I am about to put on the record regarding the detail of evidence in this area. I am sure that the House will be pleased to hear that the Government will make a full response to Baroness Stern's recommendations in due course. I want to make it clear that the issue of false allegations is not one of the reasons for considering changes to our policy on rape defendants. It would be were there strong evidence that a significantly greater number of false allegations are associated with rape than with other offences, but the Government do not believe that to be the case.

On that question, I remind the House again, as I did in the earlier Adjournment debate, that there are in fact two anonymity commitments in our coalition agreement. One relates to rape, the other—referring to no particular offence—to teachers. The House will wish to note that there is a specific reference in our coalition agreement to protecting teachers from false allegations, but no such linkage over rape complainants. It is therefore important that we distinguish between these two commitments. The criminal justice Departments will therefore need to carry out further work in conjunction with the Department for Education before we are in a position to provide a clear statement of how we intend to proceed on the teacher aspect.

The remainder of my remarks, therefore, are addressed to the issue that has caused the most controversy and interest in the House—the issue around rape defendants. However, we will listen carefully to any contributions today on teacher anonymity, which will help to inform our discussions with other Departments.

We are committed to supporting victims and improving the investigation and prosecution of rape.

Maria Eagle (Garston and Halewood) (Lab): Will the hon. Gentleman clarify in more detail the proposals on teacher anonymity? Is he suggesting anonymity in respect of abuse, sexual abuse or rape, or have the Government not yet clarified in their own mind in precisely what circumstances teachers will be granted anonymity? Furthermore, will it extend to teaching assistants and other staff in schools, such as caretakers?

Mr Blunt: I am surprised by that intervention because the Government made their position clear yesterday in a written ministerial statement by the Minister of State, Department for Education, my hon. Friend the Member for Bognor Regis and Littlehampton (Mr Gibb). It bears repeating:

"Finally, we will give teachers the strongest possible protection from false accusations. We will give anonymity to teachers facing accusations from pupils. This Government want to put an end to rumours and malicious gossip about innocent teachers which can ruin careers and even lives."—[*Official Report*, 7 July 2010; Vol. 513, c. 12WS.]

As I said, we will now hold discussions with the Department for Education, the Home Office and the Law Officers about how to proceed. Right now, however, I do not want to say anything further about that, as I have a significant amount to report to the House on the Government's position on rape defendants. I want to focus on that now.

Meg Munn (Sheffield, Heeley) (Lab/Co-op): Will the Minister give way?

Mr Blunt: If the hon. Lady will forgive me, I would like to set out the Government's analysis and position, and then I will be happy to take further interventions.

We are committed to supporting victims and improving the investigation and prosecution of rape. It will be useful to the House if I share our best understanding of what happens to rape complaints made to the police. In 2008, 13,093 complaints of rape were made to the police. Based on a Metropolitan police survey in 2007, we would expect that one third of these were no-crimed and that 30% of this third—about 10% overall—were false allegations, which I believe to be reasonably consistent with false allegations around other offences. That is why the number of false allegations is not part of the reason for changing our position on this issue. Police identified 80% of suspects, and 73% of these were arrested, but only 44% of those arrests resulted in a charge by the Crown Prosecution Service, perhaps due to withdrawal of evidence by the victim, which could be caused by fear of reprisals, the court process or the lack of emotional strength to continue.

What we know about case disposals in 2008 is as follows. Some 2,395 cases were proceeded with at a magistrates court, of which 1,822 were sent to the Crown court, with 24% of cases not proceeded with for various reasons, including the charges being dropped, although in some cases the defendant will have been convicted of other offences at the magistrates court. Of the 1,822 cases that proceeded to the Crown court, 24 were not tried for a variety of reasons. However, 1,798 men went on trial accused of rape in 2008, 51% of whom were convicted of rape, with 77% convicted either of rape or another offence. Of those who went on trial, 406 pleaded guilty and 1,392 pleaded not guilty. Of those pleading not guilty, 36% were convicted of rape, while 885 of those pleading not guilty were acquitted of rape or attempted rape. I estimate from the information made available to me that about half those will have been convicted of another offence, but it is not yet possible to be precise about that from the data examination that I have been able to undertake before today's debate.

We need to empower police officers to improve rape investigations. We are all aware, as the recent Independent Police Complaints Commission investigation into Kirk Reid has again demonstrated, of the terrible consequences that investigative failures can have. To demonstrate our commitment to improving the criminal justice response to rape, the Home Office will continue to fund the rape support programme this year, providing additional targeted support to forces to improve their approach and practice on rape investigation. We will also consider carefully how we can support agencies' joint work on sharing intelligence and good practice.

The anonymity debate has been characterised by a number of myths and misconceptions, which have unfortunately served to obscure rather than clarify matters. For example, it is alleged that anonymity for defendants would deter victims in general from coming forward. One can easily understand the argument that depriving complainants of anonymity would indeed have that effect. Their cross-examination about painful personal matters would be exposed to the public gaze, which is bound to have a deterrent effect on the willingness of others to come forward. Parliament has long recognised that reality. However, it is difficult to understand how the anonymity of a defendant could possibly have such an effect. There is an argument that reducing publicity around rape investigations and trial should make it easier for complainants. That would be an effect of protecting the defendant's identity. The strength of that effect before and during any trial will be a matter of judgment.

Maria Eagle: Does the hon. Gentleman understand that one of the reasons why people fear that introducing anonymity for defendants just in rape cases will deter reporting by victims is that he would be singling out that one crime for such treatment? Extending anonymity to defendants in all cases might not have the same impact, but by singling out one particular offence, the hon. Gentleman is in danger of sending a clear signal to victims that they will not be believed.

Mr Blunt: I understand that that is one of the counter-arguments, but in the end it comes down to a matter of judgment and balance among a number of competing arguments. I am quite happy to concede that the argument that the hon. Lady has set out has some weight, but other arguments have to be weighed in the balance too. Let me therefore put those arguments before the House.

To turn to our proposals, we have now had the opportunity to consider both the arguments and the background in further detail. The last time the subject was debated at any length in Parliament was during the passage of the Sexual Offences Act 2003. Reference to those debates is highly instructive, and I would like, if I may, to dwell for a while on that subject. Anonymity for defendants was first raised in another place not by a Government or Opposition Member, but by a Cross Bencher, Lord Ackner, the late former Law Lord, who had tabled an amendment to the Bill. Lord Ackner's view was as follows:

"For 12 years this anonymity"—

that is, defendant anonymity—

"was enjoyed. I have heard nothing to suggest that during those 12 years there were occasions when it worked to the disadvantage of justice. I have not limited my request to pre-trial because pre-trial is only part of the issue."—[*Official Report, House of Lords*, 2 June 2003; Vol. 648, c. 1095.]

Their lordships narrowly accepted Lord Ackner's amendment, so that when the Bill passed to this House it contained provision for defendant anonymity. The then Government decided to resist that in its entirety. In Committee, the Opposition tabled alternative, probing amendments that would have granted anonymity either all the way to conviction or, as the case may be, up to

[Mr Blunt]

the point of charge. Only the latter amendment was pressed to a Division. A similar Opposition amendment was tabled on Report and was also pressed to a Division. Interestingly, the Government of the day indicated that they accepted the desirability of pre-charge anonymity in principle, but preferred a non-legislative solution. Some scepticism was expressed by a number of speakers in both Houses about whether the non-legislative approach was realistic. However, there was also some support for the suggestion that a non-legislative solution would be ideal.

When the Bill returned to the other place for consideration of this House's amendments, Lord Ackner moved an amendment similar to his earlier one, but on that occasion it was defeated. However, the coalition partners joined together to support a narrower amendment, tabled by Lord Thomas of Gresford, that would have provided statutory anonymity at the pre-charge stage. That amendment was duly passed. When the Bill returned once again to this House, the then Government maintained their previous position and the Lords amendment was again deleted from the Bill. The matter was once again pressed to a vote. That was followed by yet another round of debate in the other place. Ultimately, no further Opposition amendments were pressed, for fear that the whole Bill would fall as a result.

In the latter stages of the Bill, Ministers indicated that discussions had been held with the Association of Chief Police Officers and with the chairman of the Press Complaints Commission. As a result of the latter discussions, the press was looking at its code of conduct, to see how it could be strengthened to ensure that those suspected of offences—but not yet charged with them—were not named in the media. The burning question prompted by this saga is: what happened next? The answer is that the Press Complaints Commission issued a note in 2004 that specifically addressed the reporting of people accused of crime by reference to the relevant sections of the editors' code of conduct.

It appears to be widely assumed that there is a self-regulation scheme in place that clearly prohibits the reporting of anybody accused of a crime but not yet charged with it. On close examination, however, the 2004 interpretative note does not provide complete reassurance. Nowhere does it contain an outright general prohibition on the reporting of pre-charge allegations. In fact, in the main, no mention is made of the distinction between pre and post-charge reporting at all. For that reason, anybody affronted—for example, by the reporting of an allegation that was not followed by charge—and who wanted to complain to the PCC about the matter might well find that they had no grounds to do so under the interpretative note or code.

A further point, which soon became apparent from the exhaustive examination of the issue undertaken in this House and another place during the passage of the 2003 Act, is that both the then Government and the then Opposition parties settled on a position of agreement—in principle at least—to non-reporting up to the point of charge and normal reporting procedures thereafter.

Much has been made in the past of the importance of open justice and the free reporting of criminal trials as key elements of maintaining public confidence in the criminal justice system. We support that view. There is, however, another important reason of principle for distinguishing between the reporting of trials and the reporting of allegations before the point of charge. In the case of the latter, we are dealing with allegations that have not been subject to a full range of investigation.

Ms Louise Bagshawe (Corby) (Con): Will my hon. Friend give way?

Mr Blunt: If my hon. Friend will forgive me, I want to set out where the Government are on this issue, and then I shall be happy to take further interventions.

When there is an allegation before the point of charge, there may have been some degree of investigation into the allegation, but there will have been no formal assertion on the part of the state that anybody has a case to answer. Those points provide grounds to inhibit reporting that are not present at the trial stage. Therefore, having carefully reviewed the extensive background, having taken account of the fact that nobody should be appearing in a criminal trial unless the prosecuting authorities have assessed all the available evidence including any exculpatory unused material, and prosecutors having applied the other provisions of the code for Crown prosecutors and decided to bring criminal charges, the Government are minded to strengthen anonymity up to the point of charge. This is consistent with the findings of the Home Affairs Select Committee—on which my right hon. Friend the Prime Minister served—in 2003, and also with the reply that he gave to the Leader of the Opposition at Prime Minister's questions last month.

Maria Eagle: Is the Minister saying that the Government are going to do this only in respect of the crime of rape, or are they planning to do it in respect of any criminal charge?

Mr Blunt: This is about the crime of rape.

Ms Bagshawe: Will my hon. Friend expand on this a little? Does he understand the concern that is felt on both sides of the House that, by singling out rape in this way, he is sending out a negative signal about women and about those who accuse men of rape?

Mr Blunt: I do understand that, but we also have to take into account the arguments that sit on the other side of the equation. We are dealing with the environment in which these allegations are handled by the media. This is the position that the Government think strikes the right balance. It happens to be the position that was thought to strike the right balance by the previous Government and by the previous Opposition, when the matter was considered in 2003. It is also the position that was thought to strike the right balance by the Home Affairs Select Committee when it considered the matter in 2003. Therefore, unsurprisingly, this is the conclusion that the Government have come to.

Meg Munn: I am extremely puzzled by what the hon. Gentleman is saying. He has set out a very defensible position on why someone's name should not be in the public domain before they are charged, but why is that desirable only in relation to rape and not to any other offence? Surely the same should apply to anyone who felt that they had been wrongly accused of theft or burglary or any other offence.

Mr Blunt: The strongest argument is around the balance of harms. The complainant in a rape trial has anonymity, and everyone who has considered this issue in the past has come to a balanced judgment that it is therefore appropriate to give the defendant a degree of anonymity. Because of the way in which rape is reported, these will have been the considerations that have guided previous Governments and Oppositions, and previous parliamentarians, in their consideration of this issue.

Keith Vaz (Leicester East) (Lab): The Minister has correctly described the views of the Select Committee, of which the Prime Minister was a member, in 2003. I was not serving on the Committee at that stage. He has set out the Government's views very clearly today. Does this proposal exclude the possibility of the further research into false allegations that the Stern inquiry suggested? Is he dismissing the idea of further research altogether?

Mr Blunt: No, it does not. I am delighted to say that the right hon. Gentleman has provided me with a cue to begin the next part of my speech, which deals with that issue.

In taking our position forward, we will examine the question of section 44 of the Youth Justice and Criminal Evidence Act 1999, which I understand has never been implemented. That section grants anonymity at the pre-charge stage to persons under 18 years old who are involved in criminal investigations, including suspects. It already provides a statutory equivalent for children and young persons to the measures that we have in mind for adults, and as such is linked to the present debate.

Now, for the benefit of the right hon. Member for Leicester East (Keith Vaz) and other hon. Members, I should add a final note on the question of research. As hon. Members will be aware, the director of analytical services in the Ministry of Justice has been asked to produce an independent assessment of the current research and statistics on defendant anonymity in rape cases. We are aiming to publish this report before the summer recess, in the week commencing 26 July. It will cover all the available research and statistics on the subject and is intended to inform the debate.

Kate Green (Stretford and Urmston) (Lab): Will the Minister clarify whether the published research—which will be immensely helpful—will include an analysis of media coverage, including, for example, statistics on coverage suggesting that the victim was in some way to blame? Or is media coverage to be excluded from the analysis?

Mr Blunt: I will direct the attention of the director to the hon. Lady's remarks, to see whether it is possible to achieve that objective. If we were able to come to intelligent conclusions that would assist the debate, I am sure that that would be useful. We shall have to see whether this will be possible; we will examine the matter and try.

Simon Hughes (Bermondsey and Old Southwark) (LD): I am glad that the Government are listening and proceeding slowly, but there are other wide-ranging issues that I hope are also under consideration. Can the Minister tell us whether anonymity is being considered in the context of all sexual offences, as one category—*[Interruption.]* I am asking the Minister. Is it also being considered in the context of all offences of violence, which is the other big category? Having single solutions for single types of offence, however important the offence is, would be the wrong way to go. Looking at this in the broader context is the right way to proceed.

Mr Blunt: The Government have come to a view on where we want to strengthen the position, and it is around the offence of rape. There are arguments about whether this should apply more widely, and we have given careful consideration to them. Setting aside the issue of teachers—that is seen as discrete and should be carried forward separately—it is the Government's view that we should limit this to the particular offence of rape.

Our current thinking is that the available evidence does not absolutely dispose of some of the questions that have arisen in relation to anonymity, even at the pre-charge stage. There is an important outstanding question of the extent to which anonymity might frustrate further police inquiries into an offence. We are looking at what further research might be required to fill in any gaps. This will enable us to take a view on any exceptions that it might be necessary to build into a general anonymity rule.

Finally, I would like to explain how we intend to take matters forward over the summer. I want to stress that we have been treating this issue as a priority, and we will continue to do so. We recognise that the subject is of considerable interest to many people inside and outside the House, and in another place. In the circumstances, it would be undesirable to allow it to slip.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): It is important to put on record that the previous Government's position was not the position that the Minister has described—namely, that rape defendants should have additional separate protection in terms of anonymity. I also want to ask him to say a little more about this issue, as it concerns the House greatly. It would be helpful if he could give us a further explanation of why the Government think that rape defendants should be treated differently from every other kind of defendant.

Mr Blunt: I think I have already answered that question—[Hon. Members: "No, you haven't!"] I am quite happy to accept that I might not have answered it to the satisfaction of the right hon. Lady and other Opposition Members.

Our aim is to set out our detailed position at an early date. We envisage making a further announcement in the autumn, as soon as possible after the summer recess. In the meantime, we will continue to investigate those areas that still require further thought. I have already discussed the read-across to our commitment regarding teachers, and the scope of the provisions will clearly form a central element of that further work. Over the same period, we also intend to investigate the extent to which research might be required to fill in any gaps. The one area I have highlighted is whether anonymity might frustrate investigations. On the face of it, that is the most that is required, but we will reflect carefully. We will also use the intervening period between now and the autumn to engage the media, which has a key

[Mr Blunt]

interest in the subject. I know the media would like to be consulted at the earliest available opportunity, and we will take steps to ensure that this happens. In these days of multiple media, we recognise the wisdom of discussing our proposals with broadcasters, as well as with the more traditional paper-based news industries, and we will do that.

We will also have discussions with other relevant organisations. At this time, we have not decided exactly who is relevant for this purpose, but I am aware that the Association of Chief Police Officers has been mentioned a number a times in connection with this subject, and we will certainly take note of its views in developing our scheme further. We will speak to specialist voluntary sector organisations, the education sector and the children's work force with a view to gaining a better idea of the detailed impact on suspects and victims, and we will work up practical options for implementation.

We see no case, however, for a formal consultation—[HON. MEMBERS: "What?"]. The detailed arguments in this area are already well known, and we are not convinced that a formal consultation exercise would add value. It is capable of obscuring the real issues, and would certainly delay matters considerably. That cannot be in anybody's interests.

Let me conclude by saying that it is a pleasure to be able to report real progress on this subject. As I have said, we look forward to being to announce further developments after the summer recess.

1.31 pm

Maria Eagle (Garston and Halewood) (Lab): I begin by welcoming both the Under-Secretaries of State for Justice to their ministerial places to discuss this extremely important matter, in which there is much interest on all sides of the House and outside it. The Under-Secretary of State for Justice, the hon. Member for Reigate (Mr Blunt), made an interesting speech, and I intend to take up some of the points he raised, but let me say that we do not disagree in this respect—rape is a heinous crime that wrecks lives and causes many victims unending suffering.

Rape is a more prevalent crime than is often imagined in the public consciousness. I have here some figures derived from official statistics. Every week, up to 2,000 women are raped, up to 10,000 are sexually assaulted, and between 75% and 95% of rapes are not reported to the police—these are figures taken from the joint inspection of the Crown Prosecution Service and Her Majesty's inspectorate of constabulary. More than a third of all rapes recorded by the police are committed against children under the age of 16. As I think the Minister recognised at the beginning of his remarks, all that shows that this is a matter of huge import, not only to Government and Opposition Members but to all our constituents—and particularly, I might say, to women. Although men are subjected to rape—about 7% of victims are male—it is overwhelmingly women who are the victims of this particular offence. I do not intend to ignore the fact that it is not only women who are involved in this type of offence, but, as I say, it is overwhelmingly women who are affected.

Looking back at the history of this crime over many decades, it is clear that there has been agonised and sometimes passionate debate—in this House and in the wider society—about how best to deal with rape, how best to make sure that perpetrators are brought to justice and how best to assure women and others that they can be protected by our society's statutory authorities from being subjected to this crime.

Despite the terrible figures, there is some cause for optimism. Following a great focus on improvements, the last decade or so has seen some forward movement, and a great deal of effort has been put in by partners, statutory and otherwise, across the criminal justice system who have done good work to bring together their input to focus on the key question and to tackle low levels of reporting and low levels of conviction. Labour Members accept, as we did when we were in government, that more needs to be done. We can say that reports to the police have doubled in the last 10 years, which is a good thing. We can say that there has been a 50% increase in the level of convictions—and the Minister's figures implied that, although he did not put it in that way. From charge to conviction, about 58% more have been convicted of rape or other sexual offences.

Geraint Davies (Swansea West) (Lab/Co-op): Does my hon. Friend accept that there are cases where someone is accused of rape, as a result of which other victims come forward and the person accused of rape can be convicted as a result of that, although he would not have been convicted if the others had not come forward? In other words, the first accusation might not have been completely conclusive, so the anonymity of defendants can lead to more rapists and more rapes.

Maria Eagle: I accept what my hon. Friend says. There is no doubt that rape can be a serial offence. Perpetrators of rape often do not stop at one offence; they continue their offending behaviour, so anything that deters victims or those who have been attacked from coming forward might have the unfortunate effect of making it more difficult to catch serial attackers at an early stage. It has been recognised for decades that gaining convictions is hard. The Minister read out the figures on attrition rates, to use that shorthand. Those figures show how hard it is to convict the guilty, so anything that makes it harder or deters people from coming forward or anything that makes it more likely that they will not believed when they do come forward can only be bad for the impact on conviction rates.

Glenda Jackson (Hampstead and Kilburn) (Lab): I entirely agree with my hon. Friend that there has been an improvement in approaches to rape, but is not the underlying factor that informs—in my view, informs absolutely—what the Government are proposing the view that rape is an "avoidable" crime? It is assumed, for example, that if the woman had worn a longer skirt or drunk rather less or had not placed herself in situations that the external eye regards as dangerous, the rape could have been avoided. Would not the according of anonymity to an alleged perpetrator of rape simply reinforce that total fallacy, which it is so difficult to change?

Maria Eagle: I agree with my hon. Friend that there are many myths about rape. It is one of the few crimes for which victims are frequently blamed, if not by the

statutory authorities, at least by society or certain elements of society or by those investigating the crime. One crucial thing we as a society must do if we want to convict more rapists is tackle all the causes of failure. We have to encourage those who have been raped to report in greater numbers, and we have to ensure that the support is there to enable them to go through the ordeal of trial and investigations, which can carry on for too long, often for many months. We must also provide aftercare and support for the victims. Anything that detracts from that will not help us as a society to deal with this heinous crime, and a consequence will be that more victims and more families will be affected. We should remember that it is often not just the victim herself who is affected by the crime and its aftermath but the children. We also need to bear in mind the fact that many children are themselves victims.

Simon Hughes: I agree that the idea is not to put people off, but to encourage them to come forward when a criminal justice process is being gone through. Does the hon. Lady agree that, as the police say, it is often not the name or physical identity or picture of the suspect that brings people forward but the knowledge of the method of operation? I speak as the MP of John Worboys, who operated as a cab driver. The knowledge that the offender was a cab driver was enough to encourage others to come forward. It could be knowledge that the person committing the offence usually climbs through a window at 1 o'clock in the morning. The point is that is often the operation, not the identity, that is important.

Maria Eagle: I agree with the hon. Gentleman that revealing the modus operandi can bring women forward. Often, women do not want to report, and only when it is reported in the media or elsewhere that the person is committing the offence against other women do they have the courage to come forward. Anything that inhibits that process can damage efforts to catch serial rapists and to ensure that justice is done and seen to be done.

Geraint Davies: I am grateful to my hon. Friend for giving way twice to me. Is she aware of cases in which, in response to individual children coming forward to say that they had been abused by a man running a teenage football team and by teachers, other members of the football team and the class concerned came forward with evidence of a multiplicity of abuse, leading to convictions? If defendants are given anonymity in rape cases, and if teachers are given anonymity in cases of sexual abuse, it will lead to more rapes, and it will lead to more rapists, including teachers, being free.

Maria Eagle: I fear that my hon. Friend is correct. In a meeting of the all-party group on domestic and sexual violence yesterday, I listened to Chief Constable Dave Whatton, the Association of Chief Police Officers lead on rape, give examples from his force of the phenomenon to which my hon. Friend refers. For example, when allegations were published about a particular teacher, further victims came forward, enabling a conviction that might not otherwise have happened. Another similar example from his force concerned a vicar. We need to be careful to balance the potential advantages and disadvantages of the approach that the Government now say that they will take.

Meg Munn: The Minister made a great deal of the issue of balance, but vulnerable victims are often abused by someone in a position of power, who gets themselves into that position in order to carry out abuse. The weight of difficulty for victims is so enormous that equating their situation with that of a defendant is completely erroneous.

Maria Eagle: I agree with my hon. Friend: equating the position of the complainant with that of the defendant is erroneous.

The Minister tried to clarify the Government's policy, but the coalition Government's programme set out in nine words, with seemingly admirable succinctness and clarity, that

"we will extend anonymity in rape cases to defendants".

However, since its publication, all kinds of outrage, consternation and surprise have been caused, for two reasons. First, many people, including me, believe that the policy will not help to bring rapists to justice, but will do the opposite. I do not think anyone in the House would disagree about the need to bring more rapists to justice.

Michael Ellis (Northampton North) (Con): Is the hon. Lady not also conscious of the need to prevent false accusations against innocent people and the connected wrongs?

Maria Eagle: Indeed, I assume that must motivate the Government's policy, but the Minister did not set out in great detail in his speech why the coalition had such a focus.

This country has a system of open justice, which is extremely valuable and an important part of our justice system. It should be changed only with great thought and for very good reasons. As anyone who has practised the law would be keen to set out, one can be accused of many crimes that can have an extremely deleterious effect on one's reputation, on one's standing in society, and on one's capacity to hold down a job, hold a family together and live a normal life, whether or not one is found guilty. Rape is certainly among such crimes, but so are murder, downloading child pornography, stealing when one is in a position of trust and many others. What surprises me about the proposal is that rape, rather than all sexual offences, is singled out for such treatment.

Michael Ellis: Will the hon. Lady give way?

Maria Eagle: No, I want to make some progress.

The coalition agreement set out the matter clearly. The proposal will not help to bring rapists to justice, and the apparently clear and succinct policy was in neither of the coalition parties' manifestos. Therefore, it went from not even being important enough to mention when seeking votes from the public and a mandate from the electorate, to being such a major priority for the Government that it merited a specific mention in the coalition programme for government. Why was that? Nobody has told us. I am extremely grateful that we have this debate, which enables us to explore the matter in more detail. Where did the policy come from? Who suggested it? Who thought it was a good, or even workable, idea? Who, if anyone, was consulted about it?

[Maria Eagle]

How did it go from being unmentioned at the election, by either the Conservative party or the Liberal Democrats, to being a top priority over the weekend of the coalition negotiations?

The Minister tried to explain the proposal in a little more detail, but I fear that he has only added to the enormous confusion. Many Opposition Members have raised the matter with a variety of Ministers ever since the coalition programme for government was published. The acting leader of the Labour party, my right hon. and learned Friend the Member for Camberwell and Peckham (Ms Harman), raised it at the first Prime Minister's Question Time of this Parliament. To say that the Government have responded with confusion and inconsistency is an understatement. It is not solely that Ministers from different parties say different things, but that the inconsistency and confusion, hardly helped by the Minister's statement today, are much more widespread. To an interested observed such as me, it looks like the Government do not have a clue what their policy is, because they have not taken any steps to work it out yet.

Caroline Flint: Much has been made of the report by the former Home Affairs Committee, and of the current Prime Minister being present when it took evidence. On 23 April 2003, however, when it took evidence on false allegations, he was not present. People must therefore be careful about laying claim to such knowledge and information.

Maria Eagle: I was not aware of that, but my right hon. Friend has put a lot of effort into dealing with the issue, and has raised it most consistently and effectively from the beginning of this Parliament.

It is important to clarify precisely what the Government's policy is. According to the Minister's statement today, the policy is to extend anonymity to defendants in rape cases up to charge. However, that has not been entirely evident from what Ministers have said. We have had answers from the Prime Minister, the Deputy Prime Minister, the Home Secretary, the Justice Secretary, the Leader of the House, the Attorney-General, the Minister for Equalities and the Under-Secretary of State for Justice, the hon. Member for Reigate, which have all been different in substance and tone. When pressed, the Prime Minister said that he was in favour of extending anonymity only to charge. The Deputy Prime Minister, when pressed, retreated into immediate and wholesale abandonment of the policy, suggesting that the Government had merely "proposed the idea", as if he were running an academic seminar rather than a legislative programme. He added:

"If our idea does not withstand sincere scrutiny, we will of course be prepared to change it."—[*Official Report*, 10 June 2010; Vol. 511, c. 50.]

I hope that that, at least, still holds.

The Under-Secretary of State, until today, has made it clear that he wants anonymity up to conviction. Last month he said that

"it could go wider. There are reasons why it might also be applied to other offences."—[*Official Report*, 7 June 2010; Vol. 511, c. 155.]

The Minister for Equalities has also supported anonymity up to conviction, blogging that

"a perpetrator would only be named if convicted."

That seems to have changed today.

Meanwhile, the Justice Secretary, who appeared to be fed up with being asked the same question more than once, said in exasperation that it was all the Liberal Democrats' fault anyway because it was their policy. The deputy leader of the Liberal Democrats had better get used to being blamed for everything by his so-called partners in Government. The Justice Secretary went on to say that it was not going to happen quickly, although that is not what we have been told by his Under-Secretary of State in the House today.

The Justice Secretary said that he favoured a free vote, or a "fairly free vote", as he put it. I must remember to ask the Opposition Chief Whip exactly what a fairly free vote is—or perhaps I should ask the Government Chief Whip.

Compounding an already complicated and confusing picture, a number of Ministers, including the Under-Secretary of State today, have said that they will "bring forward options" or are "attracted by the arguments". They have said, "We will debate it", or have called for evidence. Perhaps I am missing something about the new politics that we are told we now have, but I had always thought that Governments did those things before deciding on policy, not afterwards. This Government appear to be indulging in prejudice-based rather than evidence-based policy-making.

Mr Blunt: The hon. Lady certainly ought to give way at this point, having been part of a Government who indulged in policy-based evidence-making rather than evidence-based policy-making. She is entitled to her fun, but she should recognise that what I have said today is clearly consistent with the coalition's programme. The coalition has listened to the contributions that have been made, including the questions to my right hon. Friends the Prime Minister and the Deputy Prime Minister and the debate led by her right hon. Friend the Justice Secretary. We have reached a view on the appropriateness of the scope, and how the law should be applied. We are also still asking for evidence relating to the issue that was raised earlier. The hon. Lady will have to get used to the fact that ours is a Government who will actually listen, and take account of evidence that is promoted.

Maria Eagle: That was a very long intervention, but I hope that the Under-Secretary of State will be as good as his word, and will listen. I hope that his travelling on the issue has not been completed. He has obviously changed his mind: until recently, he was saying that he wanted anonymity up to conviction, and that it "could go wider" in respect of other offences. Even after his speech, it is still not entirely clear to us precisely where the Government are. The Justice Secretary made it plain that this was not a priority, that it would be kicked into the long grass, and that when it did come up there would be a "fairly free vote". That is not what we have been told today.

Mr Blunt *rose—*

Maria Eagle: I will give way to the Under-Secretary of State in a moment.

To reach a conclusion without any consultation—to decide the policy first and consult afterwards, when the effectiveness of the policy and the likelihood of its success are such an issue—is not a sensible way of proceeding.

I shall leave aside the difficult task of pinpointing precisely what the policy is. The position has changed today, but it is still not absolutely clear. What is absolutely clear is that no one was consulted. There seem to be no ideas and no evidence about the impact of what I believe to be a retrograde and deeply troubling policy. The Ministry of Justice has confirmed in written answers that no written evidence was considered before the policy was presented. Ministers have met no victims' organisations, rape crisis organisations or members of the judiciary.

Given that the Under-Secretary said today that there would be no consultation, it is clear that Ministers do not intend to meet and properly consider the views of those who know most about the issue and have most to say about it. That is a disgrace. Only now, after the policy has been decided, are Ministers analysing options and implications and asking for evidence, and they keep changing their minds about exactly what the policy is. Only now, after the policy has been decided, are they asking MOJ statisticians to pull together the existing evidence base. Should not the Under-Secretary have done all that before? Of course he should.

I hope that I can help a little. I believe, and the Opposition believe, that it is not in the public interest to abandon the principle of open justice when it comes to such serious offences as rape. Singling out rape as an offence for which, uniquely, the defendant is granted a right to anonymity clearly suggests that false accusations are widespread, and that victims should be disbelieved by the criminal justice system, by investigators and by juries. That will deter people from reporting rape, which the Under-Secretary says he does not wish to do.

Michael Ellis: Will the hon. Lady give way?

Maria Eagle: Not at this point.

In fact, people accused of sexual crimes should not be treated any differently from other defendants. If the Under-Secretary singles out rape from all other sexual offences, let alone offences of violence, he will send a clear signal that there is a reason for his action. That will impinge on victims' capacity to come forward and the likelihood that they will do so, which will in turn impinge on the conviction rate.

The argument that there should be anonymity for defendants because there is anonymity for complainants is a false one. There is a public interest in bringing rapists to justice. A victim is a witness to a crime, not simply another party to a family law case or a civil case in which some kind of equivalence might be seen between parties. Rape is often a serial crime, and it is often only after many crimes that a perpetrator is brought to court. Previous victims often come forward at that point. That can be essential to the securing of a conviction, but the Under-Secretary's policy is likely to make it less efficacious.

Many organisations have contacted Members about the proposed policy, including Rights of Women. It has endorsed a statement signed by 50 leading women's and human rights organisations, including many rape crisis centres and organisations that deal with victims of rape. It believes that giving suspects anonymity, whether until charge or until conviction, will hamper police investigations, enable serial offenders to evade detection—thus placing more women at risk of sexual violence—reinforce erroneous and harmful myths about the prevalence of false reports of rape, thereby deterring women from reporting it, and send a clear message to women that they are not to be believed. It calls on the Government to drop their proposals on anonymity, and instead to focus their energy where it is needed by concentrating on securing sustainable services for survivors of sexual violence and improving the investigation and prosecution of rape.

The ACPO lead on rape, Chief Constable Dave Whatton—who knows a thing or two about the subject—has said

> "The proposal to extend anonymity in rape cases beyond victims would require primary legislation. ACPO has yet to see the detail of the proposals but would welcome being part of the formal consultation process."

Well, apparently there is not going to be a formal consultation process, although the Under-Secretary did say that he would talk to ACPO, which is at least something.

Chief Constable Whatton also said:

> "The welfare of rape victims needs to remain a priority. Our main concern would be in regard to the impact any changes on anonymity would have on victims, in particular on their confidence to come forward and report rape."

It seems to me that the entire focus of the Under-Secretary and the Government on the issue of anonymity for defendants in rape cases rests on the level of false reports, although the Under-Secretary said that it did not. I think that one of the strongest arguments advanced by Members on the Government Benches who favour the proposal is the idea that there is a lot of false reporting. The last Home Office research on that was in 2005 and it suggested that the true figure was closer to 3% than the 8% to 10% that has been stated. However, false reporting is obviously a concern for those who are falsely accused, and it must be tackled. There is no disagreement between us on that. The question is whether the best way to tackle this is to allow anonymity for anybody who might be accused of any kind of offence, including all the people who are guilty. We argue that that would lead to less reporting and less ability to convict the guilty.

Bridget Phillipson (Houghton and Sunderland South) (Lab): Does my hon. Friend agree that it is important to draw a distinction between acquittal and false allegation? Rape is a difficult crime to prosecute and juries will sometimes not convict, and that is right, but that does not mean that the complainant lied.

Maria Eagle: That is right; my hon. Friend makes an extremely important point. There are very few examples of malicious reporting. When the public talk about false reporting, they are often really referring to malicious reporting, which we all agree is a perversion of the course of justice, and can be, and is, charged as such where it is discovered.

We must make it clear that in the current context anonymity in effect means reporting restrictions. What we are talking about, therefore, is not an objective

[Maria Eagle]

descent of anonymity on to a named individual, but inhibiting our free press from reporting matters of public interest. I had a word with the Newspaper Society about what it thinks about that.

Michael Ellis *rose—*

Maria Eagle: I will give way to the hon. Gentleman.

Michael Ellis: The hon. Lady is very generous. There are already episodes in our criminal justice system where names are withheld. Her former Government enacted terrorist offences legislation that allowed the names of defendants to be withheld, and for "A", "B" or "C", for instance, to be used instead. There are also thousands of youth trials every year in which the names of young people are withheld, and that has been the case for decades. This step would not be unique, therefore.

Maria Eagle: We do not, however, say in respect of any crime that there should be a generalised anonymity for defendants. Particularly for the crime under discussion, that is what would lead to the deleterious side effects I have been outlining. Having looked into this matter, I do not think the downsides of granting anonymity just in respect of rape could possibly justify the impact on the very few instances of malicious reporting that it seems there are—we do not know the precise number.

The Newspaper Society says that the law should remain unchanged; the victims of alleged sexual offences are protected against identification during their lifetimes, but even those restrictions can be waived or lifted by the court in specific circumstances. It thinks the Government's proposals are potentially far-reaching, and that that is fuelled by an imprecision in how they are set out. It thinks they could prevent the release, exchange, dissemination and publication of material, and that they could prevent investigation and reporting, including in respect of accuracy and legal checks, despite the real public interest in that being done. It also thinks they could fuel rumour and malicious gossip that is not just confined to the actual subject of the allegations, rather than prevent or curb that. It said, too, that the written statement on teacher anonymity was very imprecise, and that it is against it because of its imprecision and the potential impact on the capacity of a free press to do its job.

Meg Munn: I wanted to raise the following matter with the Minister, but he would not give way to me. I am unclear as to whether we are talking about anonymity for any accusation, such as a teacher being suspended in a disciplinary situation, or only for any criminal matters, such as rape.

Maria Eagle: I agree that some imprecision remains, and we would have many questions about the Government's intentions. One can understand, of course, that teachers who are maliciously accused of things have a terrible time. There is absolutely no doubt about that, but if the suggestion is that we revert to not believing children when they make allegations of abuse, that is a very dangerous and retrograde step. For too many years in the past, before we took safeguarding children quite as seriously as we now do in our society—and I hope we will continue to do so—children who made allegations were frequently disbelieved, with the result that abuse, including sometimes serious sexual abuse, continued for years. That destroyed lives, and we left vulnerable children completely unable to be protected because of the then attitudes about whether to believe what they said. Any signal—and this Government have given a number of them—that we are reverting to that practice is extremely retrograde.

I do not believe that getting rid of the rigour of the barring and vetting scheme, which arose out of the Bichard report into the Soham murders, sends a good signal about safeguarding children. I do not believe that abandoning ContactPoint sends a good signal about the intention to safeguard children. I do not believe we should add in anonymity in all circumstances for teachers against any allegation made, and perhaps for a wider range of school staff, because why stop at teachers? Why not school caretakers as well, and dinner ladies, teaching assistants, or any other number of staff in schools? I do not believe that sending that signal can possibly help us safeguard children in this country. It is a retrograde step. I do not believe we have seen any real evidence, thought or policy development that has led to those specific nine words and the other paragraph about teacher anonymity in the coalition agreement.

I believe the Government are undertaking a calamitous and retrograde march backwards into the past. Given the range of views that there clearly is among Ministers, I believe there is still time for the Government to think about this, and to do better than they are proposing. I believe they should think again about consultation, as this kind of policy should be properly consulted upon. The experts out there in our society dealing with these situations every day, whether in schools or in our criminal justice system, deserve and need to be asked by this Government what they think the impact of these policy suggestions would be.

Given that the Minister's boss, the Secretary of State for Justice, clearly signalled to the House that this policy is not on the list for early legislation, and given that he clearly signalled that he intended his party to have a fairly free vote when it was brought before the House, the Under-Secretary of State, the hon. Member for Huntingdon (Mr Djanogly), should say to the House in winding up, "We will consult. We will take this away. We will think again. We will have evidence-based policy making, not prejudice-based policy making." I urge him to do so.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): May I remind Members that there is a 12-minute limit on speeches?

2.9 pm

Rehman Chishti (Gillingham and Rainham) (Con): I cannot hope to match the rhetoric of the new Members who have spoken before me with such great passion in their maiden speeches. I thank you, Mr Deputy Speaker, for giving me the opportunity to speak in this debate. I am not quite the last of the new intake of Members to get off the mark, although the list of those who have not done so is gradually diminishing. May I also congratulate you, Mr Deputy Speaker, on the excellent and fair way in which you have presided over this Chamber?

I wish to start my maiden speech by paying tribute to my predecessor, Paul Clark, who was elected to this House in 1997, when he overturned a 16,000-plus Conservative majority. Paul was a local boy, who grew up in Gillingham and cared passionately about Gillingham and Rainham. He served on the Back Benches of this House, as well as on the Front Benches as a Transport Minister. I wish him well in whatever the future holds for him.

It is a great privilege and honour to represent Gillingham and Rainham, which has been my home since I was six-years-old; I attended Richmond infant school, Napier primary school, Fort Luton high school for boys and then the Chatham grammar school for girls sixth form—yes, I did say Chatham grammar school for girls. Being the only boy in a class of 20 girls has its challenges, but I must say that it was an excellent experience. In all, I was very fortunate to have some dedicated teachers throughout my education, who inspired me to be the first in my family to go to university. I was able to read law at the university of Wales in Aberystwyth, which led me to qualify as a barrister, and this firmly instilled in me the values of fighting for justice, both as a defence and prosecuting advocate.

Gillingham and Rainham is a great constituency. Even in 55BC, when conquering Britain and passing through the area, Julius Caesar paid tribute to the men of Kent as the most civilised—I agree with him entirely. The towns, which have strong naval and military ties, are home to the Royal Engineers and are steeped in history. Both General Gordon and Lord Kitchener have links with the Royal School of Military Engineering. Currently, the Royal Engineers have two regiments serving in Afghanistan, and our constituency is very proud of the brave and courageous men and women who are there on active service. Many Victoria crosses, from both world wars, have been awarded to those with connections to Gillingham and Rainham, notably Major James McCudden from the first world war and Lieutenant Eugene Esmonde, of the Naval Air Service, from the second world war.

Although 400 years of naval heritage presence has now gone, it is still a matter of pride that Lord Nelson joined his first ship in the very dockyard where his famous flagship Victory was built. All that makes me very proud to represent Gillingham and Rainham, but there is also an international link, because Will Adams, who travelled to Japan in 1598, was the first British sailor to travel to Japan—he was also from Gillingham.

It would be remiss of me not to mention that Gillingham is home to a great football team, the Gills, although I have to say that watching the Gills is a bit like living life on the edge—one just never knows what is going to happen next. This is often reported in the excellent local newspapers, the *Medway Messenger*, *Medway News*, and *Your Medway*.

Gillingham and Rainham are part of the Medway unitary authority, an efficient, well-run Conservative council, which for the past 10 years has been very effectively led by Councillor Rodney Chambers and its chief executive, Neil Davies. I am very much looking forward to 2012 and the Queen's jubilee, when I hope that Medway will rightly be given city status.

As a former barrister who both prosecuted and defended in criminal cases at all levels and who passionately believes in obtaining justice for the victims of crime, I am delighted to make my maiden speech in this debate on something that has rightly for many years now concerned this House, namely bringing to justice those who commit sexual offences, which are some of the most serious crimes on the statute book. In so doing, we must take care when addressing and balancing the competing interests of the victim against the rights of a defendant, who stands accused and is innocent until proven guilty.

One of the foremost issues that needs to be urgently considered is the low conviction rate in such cases, upon which considerable work has been done by successive Governments. However in so doing, we may have unwittingly crossed the line while balancing that issue against not only the right of the defendant to a fair trial, but, more controversially, the thorny question as to whether there should be a right—and if so, to what extent it should apply—in relation to the protection of the identity of defendants accused of and charged with sexual offences of all categories of such serious crimes.

In particular, recent experience has demonstrated that there are, unfortunately, occasions when defendants have, often for myriad complex reasons, been unjustly and falsely accused of sexual crimes. Extreme suffering is caused to victims as well as to those falsely accused in these cases, thus it is necessary to address these questions and face the challenges that they present head on. The low conviction rate in cases involving sexual offences is thought by many who practise in this field to be often due to the length of time between the commission of the offence and the date of trial. This not only leads to injustice in relation to memory recall, but causes considerable additional suffering to the victim while they await resolution of the same.

Some European jurisdictions have sought to address these issues by designating certain courts as exclusive rape and domestic violence courts, solely concerned with the hearing of such cases. Those courts are specifically designed to hear video evidence, the staff are sympathetically trained and the courts are victim-friendly—for example, they ensure that the risk of accused and accuser unwittingly meeting is reduced to a minimum. As a result, cases are heard within a very short time of allegations being made, evidence is fresh and the statistics demonstrate that conviction rates have risen.

The needs of true victims in allegations of sexual offences are always in the forefront of our minds when we legislate in this House, just as they are uppermost in the minds of those on whom we rely to dispense justice fairly on a daily basis in our courts: the judiciary of England and Wales. Our judiciary have been admired for generations and used as a model in many evolving democracies. We are justly proud of their work and it is time that we acknowledged our faith in them by restoring to the courts some of the important discretion that had traditionally always been entrusted to them by this House, but that has, unfortunately, been eroded by the previous Government in many areas, for example, in sentencing policy.

The effect on those falsely accused of serious sexual offences by the publication of their names and the revelation of their identities in the media can have long-term and far-reaching disastrous unintended consequences. In April, a taxi driver who worked for a firm in my constituency was cleared of rape at Maidstone Crown court. The story had been reported on the front

[Rehman Chishti]

page of the *Medway Messenger*, the largest circulating local newspaper in the area. It was only on the day of the trial—months later—with the defendant waiting in anguish, that the two supposed victims admitted that they had made up and falsely invented the serious allegation in order to avoid having to pay a taxi fare. They were later jailed for two years. The consequences for the wrongly accused defendant have been nothing short of disastrous as a result of the publication of his identity in the media. The concept of "mud sticks" is alive and kicking. He and others like him in the future deserve some measure of protection, as I believe we still have a system of justice in this country, of which we are justly proud, in which the accused is innocent until proved guilty on conviction by his peers. If safeguards are required to reinforce that in sexual offences cases until conviction, in order to balance these competing interests, they should be put in place as a matter of urgency.

I immediately acknowledge the arguments in favour of the publication of the identities of those accused of serious sexual offences, such as that might encourage others to come forward. However, that approach does fly in the face of the presumption of innocence and presumes that anyone accused has done this before. We should examine the statistics carefully in trying to balance these crucial and diametrically opposed interests. Neither should be sacrificed in the interests of the other without the most careful consideration.

Section 39 of the Children and Young Persons Act 1933 has served us well in relation to the publication of the name, address or any other particulars calculated to lead to the identification of any child or young person who is involved in criminal proceedings, including those on sexual offences. A court has complete discretion to hear anybody in support of or in opposition to an application pursuant to the section and consideration should be given to the extension of it automatically to include all those accused of serious sexual offences, allowing a judge to lift such a restriction in appropriate cases until conviction. A restriction until charge does not go far enough, as the test for charging is a "reasonable prospect of conviction" and thus far lower than the standard required for conviction by a jury.

In other words, we should trust our judiciary to maintain the balance in any case, having carefully considered the competing arguments. We must also do everything we can to bring to justice those who commit such serious crimes.

2.19 pm

Keith Vaz (Leicester East) (Lab): It is an enormous pleasure for me to follow the maiden speech of the hon. Member for Gillingham and Rainham (Rehman Chishti), which I thought was excellent. I first met the hon. Gentleman on his first day on the House and I did what every old Member does to every young Member—no, not that! I asked him when he was going to give his maiden speech, and I kept asking him week after week. He said that he was going to save it for a really important debate and he was right to do so. He spoke with great eloquence and enormous passion about his constituency. He cleverly named all three local newspapers, the leader and deputy leader of his council and his local football team, and he becomes, of course, the most famous graduate of Chatham grammar school for girls. That kind of story is almost new Labour.

I am sure that the hon. Gentleman will make a huge contribution to this House. We on the Opposition Benches and, I am sure, Members on his side look forward to his eloquence in future debates. I wish him well in what I am sure will be a long parliamentary career. He was right to mention Paul Clark. Paul—or Mr Clark, or whatever we call former Members of the House—had a very small majority. We would have been delighted if Paul had won again, but the hon. Gentleman has turned the majority into five figures. We wish Paul Clark well in his career; he was a very popular Member and was admired and liked on both sides of the House.

This debate, like all debates in the House, is very important. I am speaking only because the Home Affairs Committee has been mentioned on numerous occasions. The Prime Minister has mentioned the deliberations of the Select Committee in 2003, when he was a member, and Members on both sides of the House have referred to that, so I felt it appropriate to inform the House of what the Select Committee decided when it conducted an investigation into this important matter seven years ago.

The Prime Minister was a member of the Committee at that stage, but I did not know until my right hon. Friend the Member for Don Valley (Caroline Flint) mentioned it in her intervention that he was not present when the evidence was taken. However, as a former member, she will know that it is not vital to be there when evidence is taken so long as one is part of deliberations on the proceedings. I say that in the presence of one new member of the Select Committee, the hon. Member for Oxford West and Abingdon (Nicola Blackwood). We look forward to the Government's tabling the order to set up the Select Committee so that we can meet and start to discuss these matters—I know that the Minister is no longer a Whip, so he has no control over these matters. This is certainly one of the issues that we will want to consider.

The hon. Member for Gillingham and Rainham came up with the crucial point that was perhaps missing from the Minister's speech. Why is it necessary to extend anonymity just for those who have been accused of rape up until the time of charge? That is what the Select Committee said and I will read verbatim from our recommendations in the course of my speech. It is necessary for those cases in which people feel that they are falsely accused and turn out to be falsely accused, and the huge level of publicity that occurs as a result of such cases. In a sense, we should include the Secretary of State for Culture, Olympics, Media and Sport and the shadow Minister in these discussions, because what concerns Members of this House who are worried about the issue is the fact that people can make false accusations and as a result whole lives can be destroyed—not just the lives of the people who have been falsely accused but those of their families, too.

As the shadow Minister, my hon. Friend the Member for Garston and Halewood (Maria Eagle), said in what I thought was the finest speech that she has given in this House on any subject, these are important issues that need to be discussed and explored properly. That is why I think that the Government should pause, having stated their position clearly, as the Minister has. There is a

need to pause, because this decision has implications not just for rape cases but for the whole criminal justice system.

I would probably be described as a conservative with a small c, because I believe passionately that those who are falsely accused are also victims. I do not mean those who are acquitted because there is not sufficient evidence, but those who are maliciously—I think that this point was made—falsely accused of rape or any other crime or misdemeanour. It is a terrible thing to be falsely accused when those accusations are not put to the relevant person and they are not given a chance properly to respond. Unfortunately, that is how the criminal justice system works at the moment.

We need to think very carefully before we make any extension. I am not saying that the Government have not made their case, because, as I shall show when I read out the Select Committee's recommendations, it is entirely in accordance with what the Committee recommended in 2003. My right hon. Friend the Member for Don Valley, who has read the transcripts will correct me if I am wrong, but I understand that the decision was unanimous. Given the personalities who have sat on the Home Affairs Committee in the past 10 years, including our most distinguished former member, the Prime Minister, it is quite difficult to get unanimity, especially on issues of this kind, so we should not dismiss absolutely what the Committee said in 2003. Indeed, we should use it as the basis for a period of wider consultation.

Mr Blunt: Perhaps I should be clear about the consultative process. We will not be having a period of formal consultation with all that that entails, but we will have a process whereby people will be able to contribute and listen. When we put out our research analysis, there will be another opportunity for that. If we need to go down the statutory route, there will not, as my right hon. Friend the Secretary of State said, be an immediate opportunity to do so.

Keith Vaz: That is most helpful. I am not sure whether the Minister has given us a timetable for the consultation period, but perhaps his colleague, the other Under-Secretary of State for Justice, the hon. Member for Huntingdon (Mr Djanogly), will do so when he winds up. The Minister has given a timetable for the independent study into research that he is conducting, although I am not sure how independent that research will be if it is done by a director at the Ministry of Justice. If it is to be called an independent inquiry, it might be appropriate for it to be done by a former High Court judge or a serving judge rather than a civil servant—not that I cast any aspersions on the officials in my former Department, who were all fine people. They have all the minutes from previous Ministers' meetings, so we must never cast aspersions on our former civil servants. The inquiry probably will not be as independent as one would hope, and I hope that the Minister will reconsider that issue.

I am with the Minister, however, regarding the fact that someone will be looking at the research that has been conducted or that will be conducted in the next few weeks. That is what the Stern inquiry suggested—proper, appropriate research into the false allegations issue—and that will be helpful.

Geraint Davies: Does my right hon. Friend feel that there is an equivalence between the sort of case being discussed, in which someone is accused and found innocent, and someone being raped? We seem to be making out that there is some sort of equivalence, but surely there is not.

Keith Vaz: No, there is not an equivalence—that takes the debate in the wrong way, and we need to be careful and temperate in the language that we use. There is no equivalence, but we should not forget those who are falsely and maliciously accused but have not committed an offence of that kind. The newspapers revel in reporting allegations about offences of a sexual nature because it titillates the editorial writers in our tabloid papers. We should not forget how awful it is for someone to have a malicious rumour spread against them, but that is in no way equivalent to the rape of a man a woman, which is a terrible crime. I think that all hon. Members in the House agree on that.

Let me read the recommendations of the Select Committee in 2003. I shall not read all of them—just the couple that are relevant to what we are discussing. The Committee said:

> "On balance, we are persuaded by the arguments in favour of extending anonymity to the accused. Although there are valid concerns about the implications for the free reporting of criminal proceedings, we believe that sex crimes do fall 'within an entirely different order' to most other crimes. In our view, the stigma that attaches to sexual offences—particularly those involving children—is enormous and the accusation alone can be devastating. If the accused is never charged, there is no possibility of the individual being publicly vindicated by an acquittal."

The second relevant recommendation is:

> "We therefore recommend that the reporting restriction, which currently preserves the anonymity of complainants of sexual offences, be extended to persons accused of those offences. We suggest, however, that the anonymity of the accused be protected only for a limited period between allegation and charge. In our view, this strikes an appropriate balance between the need to protect potentially innocent suspects from damaging publicity and the wider public interest in retaining free and full reporting of criminal proceedings."

From what the Minister said today, I gather that is what the Government are suggesting. Even though I was not chairing the Committee at the time, it would be totally churlish for me to say that the Select Committee got it wrong.

Ms Bagshawe: Can the right hon. Gentleman confirm that the recommendations he read out referred to all sexual offences, including those involving children, and rape was not in fact singled out?

Keith Vaz: The hon. Lady is absolutely right, which is why I would be keen for the Committee to revisit the issue. I shall try to make a deal on the Floor of the House with the Minister, if he is open to deals. As a former Whip, I am sure he is used to such things. A member of the Select Committee is in the Chamber. The Committee has not yet met although it will do so for the first time next week if the Government table the motion that sets us up—I cannot think why the Government have not yet set up the Select Committees.

Will the Government please give us the opportunity to examine defendant anonymity again, in the light of what was said in 2003, in the light of their proposals

[Keith Vaz]

and in the light of the fact that there will not be the all singing and dancing consultation that my hon. Friend the shadow Minister wanted? Will the Government give us the opportunity to look at the evidence that civil servants at the Ministry of Justice are preparing? Let us deliberate so that we can come back to the House, perhaps this year—if the Committee agrees; I am not trying to get the Committee to do anything, because it is a Committee decision—with a firm set of proposals that the whole House can discuss, rather than rushing things through. That would allow the whole House to deliberate and would enable us to look at what we said in the past in the light of the evidence of the past seven years.

Others will come to the House in future and say that if we extend anonymity for a particular offence, we must look at the whole criminal justice system and extend it for other offences. There is a powerful argument for doing that, so that such matters are kept before the courts, and not decided by the *Daily Mail* and the *Daily Express*. Sometimes, newspapers trash people's reputations in a way that no court proceedings could do—I am not speaking personally of course.

I hope that the Government will think again. Perhaps when the Minister winds up, he will give Parliament the opportunity to examine these matters more carefully.

2.33 pm

Simon Hughes (Bermondsey and Old Southwark) (LD): I am grateful for the opportunity to speak in the debate. I compliment the right hon. Member for Leicester East (Keith Vaz) on his speech. I shall come back to the content, but I largely agree with what he said and would like to add to his arguments.

My hon. Friend the Member for Gillingham and Rainham (Rehman Chishti) ticked all the maiden speech boxes, and I congratulate him on that—except for his bigging up of Gillingham. Gillingham regularly play Millwall, and Millwall often win, so he cannot expect my support for the Gills, although as I go to many games I shall look out for him and entertain him willingly if he comes to any games at The Den.

The hon. Member for Garston and Halewood (Maria Eagle) made a comprehensive speech, on which I compliment her. Like the right hon. Member for Leicester East, she covered the ground well. She combined passion with warnings that we must proceed carefully, as I shall seek to do in my few remarks.

The Government are to be congratulated on having brought the matter to debate early in the Parliament, and I thank my the Under-Secretary of State for Justice, my hon. Friend the Member for Reigate (Mr Blunt),on doing so. He and his colleagues said they would do it and they have. It is right that the Government are trying to ensure that the voices of Parliament and those who communicate with us are heard, without having to hold a formal, national 12-month or two-year consultation. We can have proper processes of deliberation, and my understanding is that we have plenty of time, because the proposal is not in this year's legislative programme. It was not in the Queen's Speech, so we have at least a year to see where we want to go.

I have one more deliberative point. There may be a case for relevant Select Committees to meet jointly to look at this matter, because clearly there is a home affairs issue and a justice issue. I hope that when the Committees are set up, the two Committees might think of doing the work together, instead of doing two separate bits of work. That would be the logical thing to do.

I say very clearly that before I entered the House—now a long time ago—I was a practising barrister and both defended and prosecuted in serious sexual offences cases, including rape cases. That work, my work as a youth worker and my work as an MP—which has included dealing with some of the most horrendous cases of rape of people who have come to see me themselves, or of their daughters—have made me absolutely clear about the need to get the law right, and to ensure above all we achieve the first objective: the perpetrators of these most horrendous of crimes are brought to justice. There have been too many failings in the criminal justice system as a result of which that objective has not been achieved.

I have had to nurse several families through the fact that the criminal justice system has failed and let them down—sometimes with traumatic consequences for the individual, who as an adult has not been able to carry on trusting the system or other people. The hon. Member for Garston and Halewood was right to say that very nearly all the people concerned are women—more than 90%—but occasionally there are men too, and we should not forget that such things could happen to anyone.

Meg Munn: The hon. Gentleman is making a very thoughtful speech. Does he agree that when there are repeat offences it is important that people are brought to justice early, because that in itself becomes a protective measure for potential future victims?

Simon Hughes: I absolutely agree with that. I was very critical, publicly and in the House, of the fact that it took so long for Ian Huntley to be brought to justice for the Soham murders, given that although he had not been convicted before, he was on the radar of the police in Lincolnshire, I think, and on Humberside, before he moved to Cambridgeshire. I was also very critical of the fact that John Worboys, who lived in my constituency, was not brought to court until he had committed at least 70 offences. I think that the police have gradually learned the lesson and are improving their system, as the right hon. Member for Don Valley (Caroline Flint), who has relevant ministerial experience, knows, but it took a lot of work to get the police to change their attitude and to take these issues much more seriously all the time. There have been many cases relating to offences in my constituency and elsewhere—in the latest one, a man who was a serial offender was arrested in relation to offences in south-west London—where the pattern of serial offending was such that clearly there could and should have been earlier intervention; the hon. Member for Sheffield, Heeley (Meg Munn) is quite right.

Without repeating what others have said, let me quickly remind hon. Members of how we got to this point. In 1976, we legislated to give anonymity to complainants in rape cases. That was extended to other sex offences in 1992. In 1976 we legislated to give anonymity to defendants in rape cases for the period until 1988, when the law was then changed. After a

period of just under 12 years, the law went back to where it was before, and where it remains. Since then, despite the Sexual Offences Act 2003, which was a major piece of legislation, we have not changed the law in this area. The same year, the Home Affairs Committee came up with its recommendation that we should change the law, but we have not done so, and it was against that background that my party—it is not a secret—had a long debate specifically on rape at the 2006 Liberal Democrat conference, because of the concern about the low number of convictions. That was what precipitated the debate, and I want to share its conclusion because, yes, the source of this policy is indeed my party's deliberation.

We noted that the rate of conviction is only about 5%—a figure that we have often heard and that is much lower than that in many other places in Europe. Reported rape is rising every year, but successful prosecutions are not rising; indeed, they are falling. The number of rapists who are given a caution and freed almost doubled in the previous decade. The health-related costs of rape are phenomenal, let alone the other social costs. The Sentencing Guidelines Council allowed the perpetrators of rape to avoid jail if they showed remorse—not something that I would ever countenance. Amnesty International produced a worldwide report that challenged the perception—this point was made by the hon. Member for Hampstead and Kilburn (Glenda Jackson)—about self-induced offences and said that it was far from the truth in most cases. Clearly, such offences are as far from any other from being self-induced.

We also flagged up the tainting of those who were accused and then acquitted. I want to step back for a second. I am sure that colleagues on both sides of the House know that the people who are most vilified in prison and those in the community who are viewed with most suspicion are those accused and either convicted or not convicted of the most serious sexual offences—more so than other offences of violence, apart from the most horrible ones, such as child murder or domestic violence and the rest.

Kate Green: I accept that the vilification of sex offenders inside and outside our prisons is a factor of which we must be mindful, but it is important that we have more information on different experiences of sexual offence. The vilification of sexual offenders who have committed offences against, for example, children is quite different in my experience from how the media and the public respond to sexual offences against women—particularly, for example, young women who have been drinking or who are known to their attackers.

Simon Hughes: I accept entirely what the hon. Lady says. She is right, which is why we need to proceed with caution. These areas are both sensitive and ones in which there is still prejudice and misinformation, and it is very important to distinguish between different categories of offence and activity.

We did not debate the whole issue of anonymity in the criminal justice system, nor other ranges of offence, but we concluded that a whole raft of changes should be made, only one of which was the proposal for anonymity. We suggested making more progress with special prosecutors for rape cases and an expansion in the number of sexual assault referral centres. Rape victims should be examined only by properly qualified forensic specialists who are trained in examining rape victims. A national rape helpline should be established. Special awareness training and education should be given to police officers and health and social care professionals to support male victims of rape. We opposed the Sentencing Guidelines Council's proposals to allow the avoidance of jail for the perpetrators of rape if they show remorse.

Anna Soubry (Broxtowe) (Con): Will the hon. Gentleman give way?

Simon Hughes: I hope that the hon. Lady will allow me to continue just for a second.

We requested that the Home Office commission a new study of why there is such a low conviction rate in England and Wales. We suggested a public information campaign to close the gap between the perception and the reality of rape. Only lastly did we suggest a change in the law—agreed after debate, discussion and a vote by a majority—to prohibit the media from identifying anyone directly or indirectly about whom a complaint of rape has been made, and until such time as they have been convicted.

It was therefore not surprising that the Government have looked at the issue, even though I accept that it was in neither the Liberal Democrat nor the Conservative manifesto. The public did not, therefore, become engaged on the matter in the election campaign. I am not defending the fact that the proposals are in the coalition agreement, but saying clearly that I am sure that if the outcome of this deliberation and the response to the Government's policy proposal, which came from the Liberal Democrats, is a consensus in the House and around the country not to proceed, both parties are open to persuasion along that line.

I want us to go deliberatively, because there is a strong case for changing the law, but it is not a cut-and-dried, open-and-shut case. I hope that the rest of the debate is much less partisan than the beginning of it, because this is not a party political issue—*[Interruption.]* It is absolutely not a party political issue. People outside would not understand if we took partisan positions, and I absolutely encourage the Government to think like the Lord Chancellor, who was right that a non-whipped vote would be entirely appropriate. I am in favour of many more such votes on such matters, which are not proprietarily the view of one ideological group or the next.

Glenda Jackson *rose—*

Simon Hughes: Let me make my other comments. If I have time to give way to the hon. Lady at the end, I will do so very willingly.

I want to address succinctly two wider issues that have been touched on. We must deal with the objective of maximising the number of people brought to justice for both rape and other serious sexual offences, but we must also achieve the second objective of avoiding the harmful stigma of such allegations, which can often lead to suicide, attempted suicide and the like, for which there is evidence. There are therefore two big criminal justice issues for our country—this is an England and Wales issue. We need first to decide whether open justice—the principle that the hon. Member for Garston and Halewood said should be our starting point, as it should—should be circumscribed at all. At the moment,

[Simon Hughes]

we have done that for complainants in certain offences, but should we circumscribe open justice at all in relation to defendants? We could either do that for the category that I would call sexual offences against other people, by which I mean violent sexual assaults, which are not all rapes, or we could propose anonymity for other types of assault. I do not believe that there would be a case for inclusion for any other violent offences, and I am also not persuaded that child pornography or other such offences should be included. However, there may be a case for anonymity in cases involving sexual offences—of any type—against another.

The second question is on the limitation of the period of anonymity. Should we have a very limited period of anonymity, for example, up until charge, a longer period, which could last to the beginning of the trial, or the longest period, which would be up to the end of the trial and conviction?

I should like us to look very carefully and deliberatively at those two sets of options. Are we talking only about rape or about a wider set of sexual, serious, violent offences? Should anonymity last only for the period between arrest and charge or for longer? My hon. Friend the Minister and the Government want to listen to the voices and hear about the research. I hope that the House can do its duty properly and ensure that we come to the right conclusion. That will need a bit of time, but let us please not be overly partisan about it.

2.48 pm

Glenda Jackson (Hampstead and Kilburn) (Lab): The hon. Member for Bermondsey and Old Southwark (Simon Hughes) hopes that this will be a non-partisan debate. The speeches that we have listened to this afternoon have been non-partisan in a party political sense. However, in relation to the policy that his Government are presenting, there is a marked lack of evidence that the proposed change is necessary, or that it would bring about any kind of improvement in convictions for rape, which, if I understood him, was at the centre of his argument.

The hon. Gentleman also hoped that given the amount of time the Government are affording to the debate, decisions would come about by consensus in the House and the country. How can there possibly be any consensus in the country if his Government do not enter into the widest, deepest and most detailed consultation? The question remains: why have his Government selected the offence of rape? Why should alleged perpetrators of rape alone, among alleged perpetrators of other crimes of violence, be afforded anonymity? Answer has come there none.

As we heard in the excellent speech by my hon. Friend the Member for Garston and Halewood (Maria Eagle), the implications of that proposal are wider if we go down that road. She touched on the issue of affording anonymity to teachers, and the hon. Gentleman's Government have again come up with no detail of the alleged offence that a teacher might have committed. She gave the graphic example—and we all know about this—of children who had been abused not only by teachers, but by members of their family or other people in authority, and the automatic response of society at the time had been to disbelieve the children, with the result that the abuse continued in an ever wider circle. I refer to the past, but from contemporary reports we know that this still goes on. The scandal of what has happened in the Catholic Church continues to reverberate. The central essential there was the idea that secrecy was all, and so the imbalance of power between the abused and the abuser was reinforced. That is my fear about this proposal and the selection of rape as the only violent act that is afforded this kind of anonymity.

In his opening remarks, the Minister said—forgive me for paraphrasing, but I cannot remember his exact words—that it is now an accepted absolute that acts of violence against women are anathema, and that everybody in this country, this House, the criminal justice system and the police service are automatically appalled by acts of violence against women and, as a result, are immediately on the front foot, exercising all their abilities, talents and resources to track down whomsoever commits such heinous acts. We all know that that is absolute fantasy. We are witnessing at the moment one of the largest manhunts that this country has ever seen to try to track down a man who, it is alleged, has murdered one individual and shot at and injured two others. He boasted before he left prison of what he planned to do. I have no doubt that prison officials were very busy, but I am equally sure that it went into that little pocket—although it is getting bigger and bigger in my view—of something called "a domestic" in the criminal justice and police system. All it needed was for those officials in the prison to take the threats seriously, to ring the alleged perpetrator's local police station so that the police there could take those threats seriously themselves, and perhaps the largest manhunt in British history would never have needed to take place.

There is still, as I said in an earlier intervention, a prevailing view in this country that incidents of rape, for example, are the fault of the victim—*[Interruption.]* Members opposite may groan and moan, but it is not so long ago— I remember it distinctly—that a judge who summed up in a rape case advised the victim of the rape that she should perhaps have worn a longer skirt. I am sure that that would never happen now, but I think that people still have similar thought processes.

Anna Soubry: We all agree that there should be more argument based on evidence. Where is the hon. Lady's evidence for the assertion that people still have those views of those who make complaints of rape?

Glenda Jackson: I am sorry, but I did not catch the end of the hon. Lady's question. I will give her direct evidence of a constituency case of mine, in which a woman had been systematically abused by her partner. The law acted and an injunction was laid, meaning that the perpetrator of the offences was not allowed within a certain distance of their home. What happened? His brothers took over. It is a fantasy to think that everyone in this country regards acts of violence against women as totally beyond the pale. Let us take honour killings, for instance. Does she seriously think that people who are genuinely opposed to acts of violence against women would enter into an honour killing?

Gareth Johnson (Dartford) (Con): Does the hon. Lady not accept that there is a huge danger, in this debate and any consultation process, of this becoming a battle of the sexes and a gender issue, when clearly it is not? Defendant anonymity and surrounding issues are about trying to impose fairness for all in the criminal justice system.

Glenda Jackson: With all due respect to the hon. Gentleman, the evidence presented in the Chamber—obviously he is not the only person on the Conservative Benches obsessed with evidence-based decisions—shows that rape is exercised almost exclusively against women, so there is a gender base.

Anna Soubry: Some 40% of all rape complainants are either male or children, and of the 60% who are aged over 16 and female, we do not know—we do not have the statistics—how many made a complaint about something that happened to them when they were children. It is unfortunate that we do not have those statistics after 13 years of a Labour Government.

Glenda Jackson: We have already established that, as far as children are concerned, we are all in absolute agreement. That is why the question has been asked: why has an alleged rapist been afforded the privilege of anonymity, but someone who, for example, has been downloading child pornography has not? It has not been explained to me why rape is the act being afforded this particular privilege. I would argue that, if the Government go down this road, they will deeply undermine the concept of the unacceptability of rape and general acts of violence against women. Far too often, we hear of cases in which, for example, a woman has laid before the police the serious threats she is facing daily from an ex-partner. We then read that the police did absolutely nothing about it. We know of terrible incidents—one cannot say it is more terrible than when children are killed—in which such women and their children have then been killed by those partners. I have already given the example of honour killings.

In a recent, highly publicised case of the most heinous crimes, every report began not with "Three women were murdered", but with "Three prostitutes were murdered". I return to what I believe is still a central issue here, and a reason I am so opposed to the Government's proposal: there is still the belief that attacks on women are engendered by the women themselves.

Anna Soubry *indicated dissent.*

Glenda Jackson: It is no use the hon. Lady shaking her head. We both know of incidents in which people have not reported an incident of rape because they were drunk at the time, and they know that they would be castigated for it. Equally she knows that when women do come forward claiming to have been raped, the initial response in quite a wide circle is that they are making it up, which is why we have to be exceedingly careful about going down this road of putting rape in this special category that other violent crimes are not granted. If the Government were arguing that all violent and violent sexual crimes should be afforded anonymity, and if there were sufficiently wide consultation on the proposal—not just in the House, but in the country at large—I would be prepared to consider the Government's central argument, which is that a false accusation can damage an individual's life, their family's life, and, in some instances, their professional life. However, I entirely agree with the point that if we go down that road, we will be undermining one of the basic concepts of our criminal justice system, which is that accusation and argument in criminal cases should take place in public. I would be extremely chary of moving away from that position, but what the Government are proposing and their lack of commitment to wide consultation cause me grave concern.

My hon. Friend the Member for Garston and Halewood, speaking from the Opposition Front Bench, made a salient point when she raised the issue of freedom of the press. That is another issue that we must consider deeply before we make any changes. However, I return to the point that I made slightly earlier, and which reinforces my contention that we are still insufficiently adamant or active and that insufficient resources are put into tackling the broader issue of acts of violence against women. I gave the example of the recent incident where three women were brutally murdered and every single news outlet began its report of the event with the words, "Three prostitutes".

I also think that Dr Shipman would perhaps not have got away with his mass murder if his victims had been young women, as opposed to middle-aged or elderly women, because there would undoubtedly have been a desire on the part of the press—well, perhaps "desire" is an extreme word—to present the case as though these particular acts against women had a sexual undertone. In my view there is still this prevailing attitude—it might not be directly acknowledged, but it permeates so many aspects of the criminal justice system and law enforcement—when it comes to acts of violence against women, for the immediate reaction is to say, "We have to be careful about this."

Hon. Members will know the argument about malicious accusation, but I have seen too many constituency cases and too many women and their children who have been brutalised because not enough people have taken what has been said to them sufficiently seriously, often ignoring the evidence before their eyes. The hon. Member for Gillingham and Rainham (Rehman Chishti) made a salient point in his maiden speech when he talked about the different approaches to such crimes in Europe, where there are special courts that are properly financed, with support for victims. That is a lesson that we should be learning in this country far more quickly than we are. I absolutely admit that we have made strides in that direction, but we need to make bigger strides and more of them.

3.3 pm

Mr Aidan Burley (Cannock Chase) (Con): I am grateful to you for allowing me to make my maiden speech, Mr Deputy Speaker, and I am especially glad to be doing so in front of your good self.

In the past few weeks I have listened to, and had the opportunity to contribute in, some excellent debates about foreign affairs, international development and the nation's finances, but I have waited to make my maiden speech in a home affairs debate. Home affairs is often not seen as a glamorous policy area. It is often overlooked and undervalued, but it is a policy area that affects everybody, all the time. We tend to notice home affairs only when things are not working properly; and let me assure the House that after 13 years of the previous Government, people in Cannock Chase have been noticing it more and more. Uncontrolled immigration, police filling in forms rather than being out on the streets, an explosion in knife crime, burglars being given more rights than the owners of the homes that they are breaking into, and a general culture of petty lawlessness

[Mr Aidan Burley]

and lack of responsibility have all combined to make local people feel less safe and less secure. If we are to do anything with our time in office, I sincerely hope that we will restore a sense of confidence and pride in our communities that brings with it a sense of order and security.

Let me turn first to Cannock Chase and its predecessors. Traditionally a bell-wether seat, Cannock Chase has a long history. Cannock—or Chenet, as it was called then—was mentioned in the Domesday Book in 1086, and is thought to mean "hillock". Over the years, it has been home to kings and to coal miners. In the reign of Henry VIII, the oak-filled forest of Cannock Chase was frequented by the king and the gentry for hunting. Then came the industrial revolution and it became the petrol station of the country, with coal from its mines fuelling the factories and the nation's industries. In 1958, the Chase—the largest surviving area of lowland heath in the midlands—was designated an area of outstanding natural beauty because of its beautiful landscape, its wildlife and its history. The Chase is still home to some 800 wild fallow deer, which are descended from the original herd introduced in Norman times for hunting purposes.

Let us fast-forward to 2010. The Chase is now famous for its mountain biking trails and its musical concerts. Since 2006, the forest has been used as an open-air music venue, hosting stars such as Jools Holland and Status Quo. In fact, I was there just two weeks ago when I took my mum and my girlfriend to see Simply Red. The constituency comprises three main towns: Cannock, Hednesford and Rugeley. Each has its own character, history and traditions. Increasingly, however, each also has its own problems. Our challenge in Cannock Chase is to restore those towns to their former glory, with shops opening rather than closing, people moving to them rather than from them, and businesses and families thriving and staying. I very much hope to be a catalyst in that regeneration.

Cannock Chase is fortunate to have been served by hard-working and dedicated Members of Parliament. My hon. Friend the Member for Aldershot (Mr Howarth)—never shy about coming forward, and always first to defend the nation's interests—began his political career there in 1983, eventually rising to become Margaret Thatcher's Parliamentary Private Secretary. Although he now finds himself representing the people of Aldershot, he is still remembered fondly by many of the constituents I spoke to during the election campaign. It is a great pleasure to see him continuing to serve the nation in his new Front-Bench role.

More recently, the seat was in the capable hands of my predecessor, Dr Tony Wright, from 1992 until his retirement in 2010. Dr Wright was well respected on both sides of the House. He was independent minded and not afraid to stand up and criticise his own Government when he felt it right to do so. He also had a keen interest in the political process, and his most significant contribution to the House was his chairmanship of the Wright Committee. In the light of the expenses scandal, the country and the Commons cried out for real and lasting reform, and, in a calm and measured way, Tony Wright and his Committee delivered this. The recommendations in his report, which are now being implemented in full by the coalition Government, have ensured that the role and relevance of Parliament as an institution have increased, as have those of Back Benchers. In my view, he was simply one of the best parliamentarians of recent times. It is therefore no wonder that he never got to serve as a Secretary of State—only the Labour party could ignore such talent, and put its spin above his substance. [Hon. Members: "Hear, hear!"] I am sure that the House will join me in wishing him a happy and healthy retirement.

I should also like to make a brief mention of my right hon. Friend the Member for Derbyshire Dales (Mr McLoughlin), the Government Chief Whip, known in a former life as Cannock Chase District Councillor McLoughlin. He is a former miner at Littleton colliery, and Cannock is very proud to call him one of its own.

Cannock Chase is sometimes called the forgotten part of the west midlands. Often dismissed as a former mining town, it was ignored by the Conservatives for too long as a no-hoper, and taken for granted by Labour. People locally told me that they felt let down by Labour. One day, when I was campaigning with my great friend, ally and supporter, my hon. Friend the Member for Lichfield (Michael Fabricant)—who was key to my success in the election—an elderly lady came up to me and said, "Young man, there's only one thing worse than being let down, and that is being taken for granted." As a Conservative representing a former mining seat, I will not and cannot ever take my constituents' votes for granted.

Before coming back to home affairs, I want briefly to mention my family. I do not come from an especially political family, but my great-grandmother was one of the first ever female councillors in Birmingham—admittedly for the Labour party—in the early 1950s. She fought one parliamentary election and eight municipal ones, and my mother and my grandmother still live in the Moseley and King's Heath wards that she stood for on three occasions before finally being elected in Longbridge. A successful café owner, in 1950, when the House of Commons kitchens were reported in the national press as running at a loss, she publicly offered to supervise the catering right here, to pay £1,000 for the privilege of doing so and still make a profit. History does not record why her offer was never taken up—[Hon. Members: "Shame."] I have with me the newspaper article that reported this incident.

My parents both ran small businesses in manufacturing and public relations and instilled in me those small-business values of hard work and self-reliance—values that many in this country would do well to follow. Because of their hard work and success, they were able to send me to the best secondary independent school in Birmingham, King Edward's in Edgbaston. At the time, more than a third of the school comprised pupils with some form of an assisted place, which engendered an incredible atmosphere of competitive learning. I very much hope that during my time in this House, the education debates will return to the subject of selection by ability, whereby the brightest pupils are taught with their peers in exactly the same way as the best young sportsmen are intensively coached in academies to become the stars and Olympians of tomorrow.

I talked earlier about the importance of home affairs policy, and I am delighted to speak in a debate that, to me, represents one of the continuing running sores of

our criminal justice system—the continued lack of anonymity to men who are accused of rape. Let us not beat about the bush here: a false allegation of rape can ruin a man's life. Even if he is tried in a court of law and found not guilty, he will still remain suspect in many people's eyes. It is human nature to say that there is no smoke without fire, especially, it would seem, when it comes to the thorny issue of rape. It is virtually impossible for a man to survive an accusation of rape without a stain remaining on his character. There will always be whispers and rumours and slurs.

To me, what this debate is about is very simple: it is about avoiding punishment before, and sometimes without, trial. That is why I welcome this debate on the Government's proposals to grant anonymity to defendants in rape cases. For me, anonymity only until trial is not enough, because the principle of no smoke without fire still applies. Surely all hon. Members will accept the principles of equality before the law and equality between men and women. Surely all hon. Members also believe that people are innocent until they are proven guilty.

The legal situation that exists now protects women in rape trials, but it does not protect men. It gives women anonymity, but not men. A special legal exemption has been made in the case of rape, but why has it been made just for those making the accusation? Why does that same protection not apply to those who are being accused? If we are singling out this particular area of the criminal justice system for special treatment, why should it not apply equally to both men and women? Male defendants should be afforded the same protections as women making the accusations because every man is innocent until he is proven guilty. If women need anonymity for this particular type of case, so do men.

We would all agree that men who are convicted of rape should have their names made public. Convicted rapists should be known and should face the consequences of their actions in respect of public opinion towards them. All that the Government's proposals mean is simply that a man will face those social penalties after he has been convicted of the offence rather than facing advanced trial by others who will always think that there is no smoke without fire. In high-profile cases, this will also avoid trial by media in advance of trial by court.

I have listened to all the arguments made today, but I still do not understand why some Labour Members oppose this simple reform. I have heard that if men are given anonymity, it might somehow discourage other women from coming forward, but let us not forget that guilty men will still be exposed when convicted. If anything, the change should encourage more women to come forward because they will have seen that a conviction has been successful.

There is, of course, a strong argument for having no anonymity at all in any legal case. Anyone who believes in a completely open system of justice would agree with that, but the reality is that exceptions have already been made in cases involving children or women making accusations of rape. Surely if a male defendant in rape cases is innocent, he is just as vulnerable as they are. Why are women and children vulnerable, but not men? No one on the Opposition Benches has answered that today. The law is the law, and it should treat men and women equally dispassionately or equally protectively. That is why we should either remove the right of anonymity for women, which no one is suggesting, or we should extend that right to men under precisely the same principle that extends it to women. In this, the mother of all Parliaments, we should do everything that we can to avoid punishment before, and sometimes without, trial.

3.15 pm

Meg Munn (Sheffield, Heeley) (Lab/Co-op): It is a pleasure to follow the hon. Member for Cannock Chase (Mr Burley). I must say that during his speech I found myself wishing that we could go back in time and see Cannock Chase in the days that he described. I regularly travel from Birmingham northwards, as my husband comes from Birmingham, and I have never thought of Cannock Chase in those terms, but I will do so in future. The hon. Gentleman paid a full and correct tribute to Tony Wright, whom we all miss, and who, as he rightly said, has left us with an important legacy. I wish the hon. Gentleman well in his pursuit of home affairs, but, unusually, following a maiden speech, I will be disagreeing with him on several issues, although I will do so in the customary fashion in this House.

I want to make a few points in this enormously important debate. I am worried that the Government's policy is ill thought out. My hon. Friend the Member for Hampstead and Kilburn (Glenda Jackson) dealt well with the issue. The Government should think again, and carefully, about the matter. No one in this Chamber underestimates the impact on a person of a false accusation of rape or any other crime. In my many years in social work, I worked not only with many victims of sex offenders but with sex offenders themselves, and on a few rare occasions witnessed first hand the impact of what subsequently turned out to be an unproven accusation.

Over the years, I have watched the situation for those complaining of rape improve, fortunately. Some Members of a similar age will recall—some Members, happily, are younger and will not—that back in the 1980s some television programmes were made in the Thames valley about police interviewing rape complainants. Many people were rightly horrified to see the general attitude of disbelief, which was one reason for the low reporting of cases. Fortunately, much has changed since that time, although not as much as we might like. However, the successful prosecution rate for rape continues to be of significant concern. In such situations, to protect people from false allegations, we must expect good investigation and evidence gathering. In a number of cases of false allegations of which I have heard, that has not been the case. Adopting a general position of belief, which is essential, does not mean ignoring the importance of good investigation and evidence gathering.

Let us be clear: this crime is not only heinous, but enormously difficult, for many reasons, to investigate. It is difficult for victims to talk about. None of us would welcome having to talk about sexual matters—even those on a consensual basis—but talking about an attack or crime of such a nature to people one does not know, and to have to go into intimate details, is very difficult. Rightly, we have talked about children being involved, and I dealt with that on a professional basis for many years. How do children explain what has happened to them when they might not even have the necessary words? How do they talk about it when they might feel that people are looking at them as if they have done something wrong themselves? We must take that into account.

[Meg Munn]

Even when adults are involved, we are talking about a situation in which perhaps only two people were present and there were no other witnesses. We are talking about one person's word against another's. Even when, according to any objective judgment, a woman has done nothing wrong, she will still be asking herself, "Did I do something wrong? Did I invite this in some way?" We as a society must say, "No means no. Rape is not acceptable. Sexual relationships without consent constitute rape, and should be subject to prosecution." However, the difficulties involved cannot be underestimated, and the situation must therefore be approached very carefully.

It is important that we adopt a position of belief, because, as some of my hon. Friends have pointed out, too many people have not been believed in the past. If it is felt that the first thing victims must do is prove that something has happened to them, even fewer women will come forward, and children will not summon up what is an almost impossible level of courage to speak up and say, "Something happened to me." I have watched people who have been abused trying to give evidence in court. I shall never forget seeing a young woman who had been abused while in a children's home, standing there petrified and trembling, almost unable to give evidence. In such circumstances, the position of victims is very difficult.

The issue of offending behaviour involves a great many myths. We talk about rape as if it suddenly appears out of nowhere, but someone who commits rape may well have previously committed other, lesser, sexual offences. I use the word "lesser" in relation to the criminal process, not in relation to the impact on the victim. The offender may have tested a situation, or fantasised about it, before committing the offence. In many cases, a pattern of behaviour has been formed.

That is one reason why those of us who oppose anonymity after charge—anonymity before charge is a different matter—consider it important to do so. Someone who comes forward and says "This happened to me too" provides corroboration of that pattern of behaviour, and leads people to feel that they can believe what is being said. As I said earlier, if just two people are involved it is one person's word against another's. If a pattern of behaviour has been established and people provide detailed corroboration, it becomes possible to proceed with a prosecution.

Simon Hughes: The hon. Lady is always listened to seriously and with respect. May I ask whether she has reflected on my earlier suggestion to her hon. Friend the Member for Wallasey (Ms Eagle) that what leads to more women coming forward is not necessarily the information that an individual lives at a certain address, is a certain height or has hair of a certain kind, but may be a pattern of behaviour? That is information that can be shared immediately, and the police often do share it just to get people to come forward, as indeed they should.

Meg Munn: I agree. In my experience, it is possible during the investigative process—in which, as I have said, I have been involved on the social work side—to question people who may have been in contact with the person concerned, without necessarily naming that person. For example, it is possible to contact previous residents of a children's home and ask, "Did anything ever happen to you that gave you cause for concern?" Conducting the investigative process properly protects against false charges, or charges that turn out to be false.

We must look at this situation in the round, and we have to say, "This is too important not to have a formal consultation." I have been encouraged by the fact that the Government have been prepared to discuss this more, and to accept that the nine words that were in the coalition document are not sufficient, but I plead with them to have a formal consultation. This is a matter that deserves to be addressed with that level of seriousness.

I gently say to the hon. Member for Cannock Chase that this is not a gender issue. Many victims are men and boys. Indeed, one concern is that boys who were abused as children find it particularly difficult to come forward and say they have been abused, because there is still the stigma that means they might be called gay. Sometimes—but not always by any means, as this is not a direct correlation—victims who have had something terrible done to them as children go on to become perpetrators because they do not know the rightful place of sexual relationships in adult situations. We talk about the lifelong effects of sexual abuse—that is one of them, and we should take it very seriously.

That points to another reason why it is enormously important that people have the confidence to come forward early and say they have been abused. The hon. Member for Bermondsey and Old Southwark (Simon Hughes) mentioned the impact on families. If people come forward early, it stops there being future victims. We must constantly bear down on this issue to stop there being future victims and to stop the cycle of sexual abuse continuing.

I ask Ministers to answer the following questions again and in greater detail. Why rape? Why not all sexual offences? Also, why has this proposal been put forward at all if not because of the issue of false allegations? The Minister said very clearly that it was not based on the issue of false allegations, but he did not tell us what it was based on.

This debate deserves greater clarity, not more confusion, which is what we got from the Minister today. The matter under discussion is complex and important, and we need to take time over it. We need the Select Committees to take a look at it, and we need a proper public consultation so that everybody who has a story to tell and every agency that has worked with people affected by this can respond and put forward their views.

I understand how the proposal may have emerged. It might, perhaps, have happened without enough thought and late at night when people had not had any sleep during the period when the coalition agreement was put together fast. That does not have to bind us to carrying the proposal through, however, and to making a decision that would be detrimental to the people we should be caring about, whether victims or offenders. I ask Ministers to think again.

3.28 pm

Anna Soubry (Broxtowe) (Con): May I begin by thanking the Minister, as I know he has listened to many of us who do not support all of the Government's proposals in this matter? I know that he has made movement, too, and I am very grateful for that, and I

am also sure that he will continue to listen to all that is said on this topic. I am sorry that the hon. Member for Hampstead and Kilburn (Glenda Jackson) has had to leave the Chamber, because I also want to say, with great respect to her, that I think she is living in the past.

I pay tribute to the last Government for the great strides they took in ensuring that justice was done for all those who make a complaint of either rape or sexual assault. I work as a criminal barrister—I say I work as one, because I like to think I can still do the occasional case—and I have been in practice for some 16 years. I very rarely prosecute as I have a defence practice, and I have defended many men who have been accused of rape or sexual assault. On one occasion, I defended a woman who was accused of rape. With great respect to my hon. Friend the Member for Cannock Chase (Mr Burley), this is not a gender argument—that has been identified by the hon. Member for Sheffield, Heeley (Meg Munn). We know the statistics and they are poor—we wish they were a lot better. However, as I have said in an intervention, we know that 60% of the people who make a complaint of rape are females over the age of 16, and that 40% are children—that includes males.

I echo what the hon. Lady said about young men making complaints about rape. I was involved in a case where I defended a man who was accused of the persistent and long-term buggery of a young man whom he had adopted. That young man did not make his complaint until he had run away from home—understandably. At the age of 18 he came forward to complain about this dreadful abuse, and my client was convicted. There is no way that that young man would have come forward to make his complaint if he had thought for one moment that his name would ever appear in the newspapers.

It is important that we all understand that there is no such thing as anonymity in a criminal justice system, save with one very rare exception; there are certain cases where the prosecution, with great care and after a lot of thought, applies to a learned judge that a witness in a particular case should have complete, true anonymity, so that their name is not known to the defendant or, indeed, to anybody else in the court. It is a bit of a myth that there is a long queue of women who somehow enjoy complete anonymity and can make up false allegations, knowing that their name will never be known. As all of us who have practised in the criminal justice system know, on an indictment the name of the complainant is there. It is a sad moment in court when one sits there, an indictment is put to a defendant and the name of the child is read out—the name is given as "a child under the age of 13" or "a child under the age of seven". So there is no such thing as the anonymity of complainants.

There is also no such thing—I would hope—as the anonymity of defendants. As has been said, we are talking about a prohibition on the publication of a name. I know that I am of some age, but when I worked as a journalist many years ago the name of somebody who had been arrested was never publicised. What has happened, in reality, is that too many police officers have decided that it would be in their interests—I say no more than that—to release the name of somebody who has been arrested, especially somebody in the public eye.

I want to nail a bit of a myth that suggests that it is only the accusation of rape which casts such a terrible slur on someone's reputation. I am not diminishing, for one moment, the appalling trauma involved, especially for young men—I am talking about those whom I have defended, who were often not the brightest or the most resourced—of often waiting for more than a year before the Crown rightly and properly decides not to proceed. We should never underestimate the trauma for those young men and their families when they are facing that charge. I believe that the hon. Member for Bermondsey and Old Southwark (Simon Hughes) said that the sentencing guidelines say that if someone has been convicted of rape and they express some remorse, they would not get a custodial sentence, but with respect, that is not right. My understanding of the sentencing guidelines is that the starting point, even on a guilty plea, is a sentence of some four to five years. It is that very knowledge that adds to the great trauma of young men, notably, who face an allegation of rape, but many other people who face other allegations are also traumatised by that and by the criminal process.

For example, I am told that two city councillors in Nottingham were arrested on charges of fraud or some other misdemeanour. The fact that they were never charged never appeared on the front page of the *Nottingham Evening Post*—I think it was slipped away on page 6 or in some such place. That allegation was hugely damaging to their reputation. I can think of all other sorts of examples—dentists or doctors might be accused of something and arrested, their names could be published and again their reputations would be sullied.

As so many others have said, I urge the Minister to consider with great care why he is singling out rape. I know the point is not lost on him that the accusation could be made that, for some reason, we on this side of the House do not believe in the proper prosecution of people who rape women, who rape young men and who rape children, whereas we all know that we take it seriously. I am grateful to have heard all the proposals that have been put forward by the Minister about the need to support people when they make allegations of rape.

Rape, like all criminal offences, falls into many different categories. I have touched on the fact that a significant number of the people who complain about rape are children. We also know that a significant number of the 60% of complainants who are females over 16 must be making complaints about what happened to them when they were children—that is, historic allegations of abuse. It is unfortunate that we do not have those figures; we should.

We know that there is a big difference between somebody walking along a street or a road who is attacked by a complete stranger and the other category of rape complaint, which relates to two people who are known to each other. Again, it is not as simple as it is often portrayed. They might be known to each other because they work together, so there is some sort of relationship, or because they have met in a public house and exchanged words. They might be known to each other because they have been married to each other for a considerable length of time or because they have been in some sort of relationship. They might be known to each other because they have gone out for the first time on a date and because something has occurred that has caused that woman to make a complaint of rape. It is a fiendishly complicated issue and we cannot take a broad-brush approach and say that all allegations of rape fall into the same category. They profoundly do not.

[Anna Soubry]

In the little time I have left, I want to touch on one issue that concerns me. Again, I know from what I am told that there is a real problem with a lack of good sound evidence. I am afraid that the Minister will have to rely on a lot of anecdotal evidence, but I have no doubt from my practice and from talking to other members of the Bar and to members of the judiciary that when a name is put into the public domain, other complainants come forward. There are many instances of it. I know from my practice that when the name of a priest who was arrested went into the local newspaper, other women came forward who had been to him and to whom he had been their minister. When they knew that others had made a complaint, they came forward. That tendency should not be underestimated.

As you will know, Mr Deputy Speaker, I have had the good fortune to be drawn in the ballot for private Members' Bills. I know that in addressing this Chamber I must not touch too much on what I hope to say when we discuss the Bill, but I ask the Minister to consider allowing anybody who is arrested to enjoy the privilege, almost, of not having his or her name published in the press. I believe that we can do that effectively and efficiently while still allowing the prosecution to apply to a judge, depending on the particular circumstances of an offence, for the name to be published. We must allow our judges to exercise their discretion, which they usually do, when they are allowed to do their jobs, particularly well.

The last Government did a great deal to redress what was clearly the wrong balance, with women not being believed, best evidence not being gathered and so on. However, I am bound to say that I think that in some respects the balance has been tipped too far. Those of us who practise at the criminal Bar are concerned about the number of prosecutions that continue when we know that, if the allegation was not of rape or sexual assault, they would not proceed. We have to make sure that when the police investigate an allegation, they do not involve themselves. With great respect to the hon. Member for Sheffield, Heeley, it is not a question of the police officer who investigates the allegation believing the complainant. That is not their role or job.

Meg Munn: This is a very important point. I was saying not that the police officer had to believe the complainant, but that their initial approach when someone comes to the police station should be to adopt an attitude from the outset that that person has something relevant to say that is likely to be true. That does not mean that they should put aside all the issues of evidence.

Anna Soubry: I am grateful to the hon. Lady for that intervention. The correct word, which I am grateful to my hon. Friend the Member for South Swindon (Mr Buckland) for supplying, is "empathy". I have no trouble at all with police officers who are not involved with the investigation, and all the support services, giving support to the complainant, but it is absolutely imperative that the police officer or officers involved in the case should be of the right rank. I have seen too many cases involving someone who has probably just become a police constable—other learned hon. Members are saying, "Hear, hear!", because we barristers have had almost daily experience of this. It is also imperative that the police should apply the same standards to complainants in rape and sexual assault cases as in any other case. Some of us have been greatly disturbed by changes in policy codes that seem to suggest that there should be a different standard and test when deciding whether to prosecute in rape and sexual assault cases, because there should not be. If we do all that, there is a good chance that the rape conviction rate, although it is very good—we should get those figures sorted out; perhaps other hon. Members will enlighten us—will rise. I urge the Minister to continue consulting, and perhaps my private Member's Bill could, with the backing of both sides of the House, be the perfect solution.

3.42 pm

Caroline Flint (Don Valley) (Lab): It is a delight to follow the hon. Member for Broxtowe (Anna Soubry). I feel that it might not be too long before she is elevated to the Front Bench. In addressing the debate, she demonstrated what she brings from her experience, as well as her thoughtfulness.

I congratulate the hon. Members for Gillingham and Rainham (Rehman Chishti) and for Cannock Chase (Mr Burley) on making their maiden speeches. They chose an interesting debate in which to do so. May I suggest that the debate could, as they start their apprenticeships in the House, be seen as a master class in how not to develop Government policy? I thought that my hon. Friend the Member for Garston and Halewood (Maria Eagle) forensically took apart the Minister's opening statement. As the debate is entitled "Defendant Anonymity", I had hoped that the opening statement would allow discussions to go in a different direction. I thought that the Minister might say, "We've thought about this and we may have been wrong to single out rape defendants, so today gives us scope to talk about this on a wider basis." Unfortunately, however, the Minister has reaffirmed the determination to focus on anonymity for defendants in rape trials, and that is regrettable.

We have had many debates in the House since the general election, including heated and passionate debates on how to cut the deficit, on electoral reform and on the number of MPs we should have, and only this week we have had the statement about which schools will go ahead in the Building Schools for the Future programme—or not, as the case may be. However, few of those issues have provoked the reaction that greeted the proposal to extend anonymity to defendants in rape cases. Little did right hon. Members who are now in government know, all those weeks ago when they were holed up in meetings in the Cabinet Office thrashing out the details of the coalition agreement, the maelstrom that nine words on page 24 would cause. I am afraid that the policy of singling out rape has little evidence to justify it, and that has been confirmed by hon. Members on both sides of the House. The policy, in isolation, really does not help the justice system or victims, and Ministers have been saying different things about it from one day to the next.

When the law on giving anonymity to defendants in rape cases last applied, it created a legal quagmire. It was a mess, where those accused of inciting rape were given anonymity but not those who conspired to it. The names of defendants charged with aiding and abetting rape were known, but not the names of those charged with burglary with intent to commit rape. The public

knew the names of those who had planned to rape but failed, but did not know the names of those who had succeeded. It is an incredibly complicated area, not only for rape but for other offences, should we go down that route—I have sympathy with the suggestions made by the hon. Member for Broxtowe on expanding that aspect. Let us be in no doubt, however: any movement on the issue, in any direction, will create a lot of controversy. We must be careful about unforeseen consequences.

No one seems able to explain why we need to give rape suspects anonymity in the first place. As has been said, singling out rape defendants sends a devastating message to the victims of rape—that, uniquely, among all other complainants, they are not to be believed, even when Home Office research shows that false allegation rates are no higher for rape than for any other crime.

The proposal touches on what is meant by false allegation. Philip Rumney, of Sheffield Hallam university, provides the best definition I have come across. He says that

"a false allegation can be defined as the description of an event that the complainant knows never actually occurred"

suggesting

"a conscious or malicious motive on the part of the complainant."

Those two elements—the fact that the complainant knows that what she or he is alleging never actually happened and the malicious motive—distinguish genuine false allegations from other cases when the complaint is withdrawn rather than retracted, when there is insufficient evidence, or when as we know, sadly, that owing to mental health problems the complainant genuinely believes that they have been attacked.

We have not even talked about other vulnerable victims, who often face cynicism about their complaint. Many people with learning disabilities have not been believed. Elderly people suffering from Alzheimer's or dementia may find it hard to convey what has happened to them and—I am sorry to say—may be dismissed when they come forward or talk to family and friends about what they have experienced.

There is already evidence that too many cases are wrongly classified as false allegation. That is a problem and we need research to make sure that recording is clear, not only for rape but for other crimes too. I think that the police and prosecutors have made huge progress in that area, particularly when they have specialist training, so I do not want the House to misinterpret what I am saying. However, Home Office research in 2005 found that the police displayed

"a tendency to conflate false allegations with retractions and withdrawals,"

thereby feeding a damaging culture of scepticism, which deters victims from coming forward to seek justice. The proposal is likely only to harden such attitudes, when we should be challenging them.

The only other possible justification for the proposal is that the damage associated with being accused of rape is of a completely different order to every other crime. Members have cited other crimes when a person who was falsely accused felt justly aggrieved and distressed, and the result was suicide or other action that caused distress to their family. It is not credible to suggest that being accused of rape is uniquely devastating, in a way that being accused of domestic violence, murder, sexually abusing children, or even defrauding a popular charity are not.

We have witnessed the rather bizarre spectacle of Ministers coming to the House, or writing to Members, asking them to provide evidence to support the Government's policies. I know that times are hard and Departments are facing cuts of up to 40%, but if the Government are not able to find evidence to support their own policies, it is not our job to do so. Indeed, a month ago the Minister wrote to me requesting evidence and asked me to provide it within a week. I am pleased to tell the House that I was able to meet his deadline, but I am less pleased to have to inform the House that I have yet to receive a reply. Perhaps I should have insisted on a deadline for comments from the Minister.

In response to my Adjournment debate, the Minister said that the Government would proceed on the evidence, and no one doubts the need for more and better research. Baroness Stern made that point very eloquently in her review earlier this year; but she said that the evidence needed to be looked at before the policy is decided. The coalition has committed itself to granting anonymity to rape defendants before even looking at the evidence. That suggests to me that the Government are proceeding not on the evidence, but on the basis of a misconception.

Mr Blunt: If I have not formally thanked the right hon. Lady for the letter, let me put that on the record now. I assure her that I was not anticipating evidence from her in support of the Government's position; it was really a challenge for her to come forward with evidence, on the basis of the issues that I raised in the Adjournment debate and have repeated today. If there is evidence that would cause us to rethink, let us have it. We are looking for it and we will publish our analysis by 28 July.

Caroline Flint: I certainly was not seeking to provide evidence to support the Government's position. I was providing evidence to explain why the Government's position was wrong. What I have failed to receive is evidence from the Government as to why they are pursuing this singular policy of anonymity for rape defendants.

In one of Baroness Stern's 23 recommendations—I hope that the Government will give the other 22 equal time and priority—she asks that there should be research, and

"that the Ministry of Justice commissions and publishes an independent research report to study the frequency of false allegations of rape compared with other offences, and the nature of such allegations."

She was saying that the matter should be looked at in the round.

As I said earlier, I am sad today that the opportunity was not taken by the Government to knock this coalition proposal on the head and move us into an area where we could find some consensus and agreement across all parts of the House.

Simon Hughes: In that context, if the evidence that Baroness Stern and others have asked for is forthcoming, in the form of further research, would the right hon. Lady be prepared to look at an idea that goes more broadly than rape? Is she willing to accept, at least in principle, that there may be a case for anonymity in other categories, not single-offence categories?

Caroline Flint: I thank the hon. Gentleman for that intervention. I actually made that point in my contribution to the Adjournment debate a few weeks ago, and I am open to that. What I am not prepared to accept is moving in that direction until the coalition Government have clearly stated that it was wrong to focus on rape, and that they have learned from the contributions and the pressure and the lobbying from Members in all parts of the House to change that viewpoint. That is because I think that it is really important to send a message to the country that when someone gets something wrong, they should say that they have got it wrong. A lot of organisations, which are listening to this debate, are very concerned about the message that was sent from that coalition agreement about the attitudes to victims when reporting rape, and the assumption that they, more than for any other crime, might be guilty of making false allegations.

An issue has been raised in this debate about equality between defendants and complainants. In a report in *The People* on 27 June, it was stated that the Government planned to extend anonymity to defendants in all cases where the victim is not named, under the cover of ensuring "equality before the law." Equality before the law does not and cannot mean identical treatment for defendant and complainant. There is a vast array of ways in which the criminal justice system already, and rightly, treats defendants and complainants differently. Both should be treated fairly, but that does not mean identically; if that were the case, presumably we would no longer afford the defendant the advantage of the burden of proof, and complainants would have to be held on bail or in custody before their case came to court. The suggestion betrays a fundamental misunderstanding of why victims of rape are given anonymity in the first place, and that has been expressed very eloquently by colleagues in today's debate.

It is not credible to suggest either, as the Lord Chancellor has done, that protecting the identity of the defendant protects the identity of the complainant. Just because most attackers are known to the victim does not mean that the victim would be immediately identifiable from the attacker's name being known. It could be a boss at work; it could be someone they meet on the bus every day; it could be someone they know in the nightclub, or a friend of a friend.

It is in the public interest that the victims of rape come forward and report their crimes, so that rapists do not escape prosecution and are prevented from attacking other victims. There is no equivalent public interest in allowing defendants to remain anonymous. That does not mean that I do not understand the damage that false allegations can cause. We have already heard during today's debate about a case where someone was tried for making a false allegation and—I think that I heard correctly—got two years in prison. That is a serious sentence for a serious crime.

As I have said, there may well be a case for looking at whether all defendants—not just those in rape cases, or even in cases that involve sexual offences—should be afforded anonymity until they are charged, but I am afraid that that was not the coalition's proposal. I am still not clear whether the Government will pursue that proposal. Certainly, one thing is clear: if we wanted to consider that wider debate, the way to start it was not to focus on rape at the outset. That has been completely unproductive. The only way that we could start such a debate is for the Government to make a clear statement—today offered the ideal opportunity to do so—accepting that they were wrong to single out rape defendants and acknowledging the damage that that has done.

As my hon. Friend the Member for Garston and Halewood said earlier, there have been very real improvements in the way that victims of rape can expect to be treated in the criminal justice system, but there is some way to go. As Dave Whatton, the chief constable of Cheshire constabulary and the senior police officers' lead on this matter said at the all-party meeting yesterday, the single biggest challenge that the police face is still the lack of confidence among victims, which stops them reporting their attack and prevents rapists from being brought to justice.

The Government must surely now realise that their proposals would make women less likely to come forward and, I am afraid, embed a dangerous culture of scepticism, when so much has been done to improve trust between the victims of rape and the criminal justice system. We need an informed debate. There should be at least a Green Paper, so that we can discuss the issue in detail, and I hope that the Minister will deal with that in summing up.

3.56 pm

Dr Sarah Wollaston (Totnes) (Con): I congratulate the right hon. Member for Don Valley (Caroline Flint) on her speech and on the passion with which she spoke during the Adjournment debate that she initiated. Many right hon. and hon. Members have brought special expertise to the debate, either as barristers or from a background in social work. My background is that I am a doctor. For five years, I was a forensic medical examiner for Devon and Cornwall police and spent many long nights with women and some men who had been the victims of horrendous sexual and physical violence. I have also been a family doctor for many years and have been a practitioner for 24 years in total.

I have lost count of the number of women—they are mostly women—whom I have seen who have not made an allegation of rape. The reasons are many and complex. I can testify that the vast majority of those crimes go unreported, because of misplaced feelings of guilt, real fear of reprisals, a belief that the victims will not be believed and, in many cases, just a sense that they want to put something so horrible in a box on the shelf and never visit it. That is the truth of the matter.

I pay tribute to the many women who have the courage to go forward and make a complaint. I want to point out something that the women I saw had in common. Many of them told me that the reason they were going through what is, quite frankly, a very unpleasant examination after a horrendous experience was not for themselves, but because they believed that it would protect other women. I ask the Minister to consider why those women would report a rape if they thought that there was no possibility that other women might benefit.

I completely understand the many arguments made in favour of protecting the innocent who are subject to false allegations, but we need to remember that the odds are heavily stacked in their favour. For every 100 women I saw—I believed the vast majority of them—I can

count on the fingers of one hand the number who had their day in court and saw a conviction. We need to be clear that the scales are already tipped in favour of the defendant in a rape case. We need to be very careful that we do not add a further barrier to women coming forward and making allegations.

The second point I should like to make is on the difficulty in this country with serial offenders. Many hon. Members have referred to John Worboys, who drugged his victims in the back of his taxi, but let us be clear that the No. 1 date rape drug remains alcohol. Many rape offenders are serial offenders—they are frequent fliers. When I examined women in the presence of police, it became clear that many of those whom the women named as the person who had attacked them were known to the police and had form. We need to be careful that we do not put further barriers in the way of identifying such people so that others can come forward with their experiences.

Those were the two main points that I wanted to make today. Many hon. Members have said that this is not a gender issue, and I agree. However, we need to be careful that we do not make it a political issue. I have some reservations about the way in which some Members have tried to make it so. I would like the Minister to consider free votes, because that is the best way to take the political heat out of the argument and to focus on the real issue of who we want to protect. I request that he look carefully at my suggestion.

4.1 pm

Stella Creasy (Walthamstow) (Lab/Co-op): Thank you, Mr Deputy Speaker, for allowing me to contribute to this debate, which is on an important and sensitive subject. I am very honoured to take part in a debate in which so many hon. Members have so much experience to contribute to our thinking. My desire to speak reflects my personal concern that the current proposals are both unworkable and, more importantly, counter-productive to our shared stated aim of achieving better outcomes for rape victims and justice for our society as a result.

This is a difficult debate to participate in, not least because it is still not clear what measures the Government intend to introduce. What has been published on the proposed legislation poses a number of questions. For example, what does anonymity actually mean? Are we talking about printed or public or local knowledge of a case? How could that be secured at any level? Inevitably, as hon. Members have said, people in the criminal and legal system will know, or will be able to secure access to, the identity of an accused person, as part of the day-to-day functioning of our court systems. Given the concerns about the relationship between our courts, our media and our criminal system, which were admirably outlined by the hon. Member for Broxtowe (Anna Soubry), the difficulty of enforcing anonymity is a clear challenge to the proposals.

Moreover, how far would the anonymity have to go to be sustainable? As my right hon. Friend the Member for Don Valley (Caroline Flint) pointed out, what if somebody is accused of a number of interrelated offences? Would co-defendants be covered? They might be accused of less serious crimes, such as aiding and abetting, but would they be given anonymity to protect another defendant? What would it mean for a case if the name of a defendant or co-defendant became public? Those questions go alongside more important ones that we need to tease out. Would anonymity apply at arrest, charge or trial? It is clear that the nine words in the coalition document have stirred up a hornets' nest, and I am grateful that we are having this debate to try to tease those things out. I hope that the Minister will answer the many questions that right hon. and hon. Members have asked.

It has been said that the measure needs to be introduced because the offences in question are so distinct that to accuse people of them falsely is to destroy lives. As others have asked today, why only rape? Why are teachers accused of such offences in a category alone? The inclusion of teachers reflects the fluidity of the thinking and its inconsistency. If anonymity throughout a criminal case were possible and desirable, could we define and measure the social penalty of being accused of a crime, or being exonerated, including before charges were made, in a manner that was satisfactory to all concerned? Anthropologists will tell us how shame, as a concept, contributed to many different accusations. It can be argued, as many in the debate have, that false accusations of paedophilia, murder, serious violence, hate crimes or domestic violence can just as easily destroy somebody's life and those of their loved ones. Indeed, why are teachers alone in our public services afforded such protection? Why not doctors or care workers?

The debate is about more than legal semantics, and Members on both sides of the House who are concerned about the proposals care for more than intellectual consistency. It is clear that they are also worried that giving those accused of rape anonymity and not those accused of any other crime sends the message that rape is different and separate. In doing so, the proposals take us backwards as a society in addressing rape rather than help us to make progress. Furthermore, the proposal flies in the face of the evidence available to us about the nature of rape and how it is prosecuted. We do not have enough data on false accusations.

Many hon. Members have already referred to the excellent report on this issue by Baroness Stern, which identifies many of the challenges that we face with this crime. Above all, her report tells us that if victims do have the courage to come forward, and are willing to go through the criminal justice system, conviction rates are improving and justice is possible. But her report also highlights the fundamental problem of the high level of attrition of cases, and that is why we should be extremely cautious about doing anything that could make the process even harder. It also makes the case for looking again at how rape is handled by the criminal justice system.

The test for this proposal must be whether the intended benefits it could offer outweigh the risks that it poses to the detection and prosecution of rape. The benefits of the proposal could be strong only if we could prove that the false reporting of rape is systematic and widespread above and beyond that of any other crime in our criminal justice system. As Baroness Stern herself argues, we simply do not know that, and we do not have enough evidence about the false reporting of rape to make such a judgment. She rightly argues—and many hon. Members have agreed—that we need more research on that issue. Crucially, she also asks for more research into the false reporting of all offences instead of singling

[Stella Creasy]

out rape. I hope that Ministers will address that point in the research that they are conducting, so that we have a greater understanding of the incidence of false reporting across the criminal justice system.

The lack of evidence is partly due to the difficulty of defining a false accusation, as many hon. Members have pointed out, and whether such accusations are malicious. Another issue is how incidents are marked as "not crimed" in the system and the danger of using that as a proxy for evidence of false allegations of rape.

If we do not have the evidence, and the Government claim that this proposal is not about dealing with false allegations, where has it come from? We are all aware of the media coverage that this topic has generated—much heat but not much light. The coverage is selective. I have recently made representations on behalf of a constituent who was tried for making a false allegation only to be acquitted, and now finally charges are being brought against the attacker. That case raises many serious concerns about the ability of our justice system to deal with rape, and the role of the Independent Police Complaints Commission in addressing complaints about how such crimes are investigated. I am continuing to pursue those complaints, but to have struggled for justice for so long in such a context must have been extremely difficult. To ask victims to come forward and report rape in an environment in which the law enshrines the notion that some victims will lie would be even harder.

No one suggests that being accused of rape is not a serious matter, but to presume that—unlike in any other crime—an allegation could be based on lies, the Government are on dangerous ground if they do not have the evidence to support the policy. It also stands in contrast to the evidence that publicising the report of a rape can be vital in the prosecution of cases. Several hon. Members have already highlighted the shocking statistics on the reporting of rape and the concerns that that will be adversely affected by giving those accused of the crime anonymity. Whether in the cases already mentioned of Worboys and Reid, or those involving individuals who knew their attackers, there is strong evidence that public accusations can give other victims the confidence to come forward and report their experiences.

The question of how cases are put together is not incidental but integral to the debate and the danger of these proposals. As investigations in the difficult area of proving a lack of consent can often involve very vulnerable people, we must be sensitive to what can be done to support them.

An interesting study by the Metropolitan police from 2005 found that 87% of those reporting rape had at least one of four vulnerabilities—being under 18, having mental health problems, having ingested alcohol before being raped and of having been or being in a relationship with their attacker. As the report points out, those add to the considerable complexities of prosecution and increase the chances of the withdrawal of a case early in the process. As I have said, I am concerned about the way in which cases are handled by our criminal justice system, something that the police have also put on the record in their conversations with the Eaves Partnership in London. The police acknowledge that

"the majority of cases are lost during the investigation process for a number of reasons including victims' loss of faith in the process, the length of time the investigation takes, lack of communication between police and victims."

To add into that mix a presumption of dishonesty could only make it harder for all concerned to take the journey towards justice. Indeed, if research is to be done, it should, in order to flesh out fully the challenges we are talking about, take into account not simply the concept of rape, but the outcomes and causes behind the complaint, whether the police felt that the victim would not be able to go to trial, whether evidence was gathered well enough to stand up in court, whether the victim withdrew their complaint, and whether the individual was tried. I suspect that, if we are able to gather such data, the picture would be very different from that being painted in the reporting of rape allegations and in the language used by some when talking about the subject.

Given that this proposal could deter victims from coming forward, we should work harder to explore other options that do not make a presumption about the likelihood that a complainant has lied about such a crime. Yesterday, Baroness Stern called for more work to be done to establish whether the existing guidance on anonymity in rape cases from the Association of Chief Police Officers has been followed, and if not, why not. I hope the Minister will also take up that point. Above all, I urge the House to search its soul in this debate. The question is not whether it is feasible to give some rape defendants anonymity and not others; we must ask why we are still struggling to bring those who commit such offences to justice and how we can address this problem. If we do that, we will see that proposals for anonymity are not part of the solution.

The problems are complex, but there are several indications of where action could be taken. I come to this debate as a London MP faced with extremely troubling statistics on the prosecution of rape in the capital which show that our conviction rate is well below the success rate in other metropolitan areas. That is why I welcome the move to Sapphire units and co-ordination across London. The reality is that staffing such units is especially hard in outer London, in areas such as mine, where officers receive little recognition for taking on such work, in contrast with other roles within our police force.

We should also learn from the Payne review and George Alberti's research, and offer more support for victims. I would favour the extension of the role of independent sexual violence advisers as distinct from police or other criminal justice officers. We must also be mindful of the funding for rape crisis centres, which face a struggle for existence under the new Administration. Indeed, I fear, under the new Government's public services spending freeze, that it will be harder, not easier, for specialised units for rape and sexual assault victims to improve conviction rates and bring rapists to justice, given that they are already under-staffed, under-resourced and lacking specialised rape lawyers. I hope that Ministers will today make a commitment, given their interest in this subject, to ensure that those services are properly funded and protected.

In conclusion, I urge the Government to turn their attention from the tabloid headlines, and instead focus on addressing these challenges. The Government's proposal would give credence, without any evidentiary foundation,

to the idea that lying is an aspect of this crime and not any other. I can see that others across the House agree with me, and I appeal to them to work with us to raise these concerns. As legislators, we must not send out the message, however unintended, that we think that those who come forward to report rape are more likely to mislead than any other alleged victim of crime. As members of society, we must work together to protect the vulnerable and hear the voices of victims with an open mind. A public consultation would guarantee and encourage that. I urge the Minister to change his mind and ensure that we hear those voices in this debate.

4.13 pm

Mr Robert Buckland (South Swindon) (Con): It is a great honour to make a contribution to a debate that has been singularly well informed, not only by my hon. Friend the Member for Broxtowe (Anna Soubry), who made a particularly useful contribution, but by the very powerful speech from my hon. Friend the Member for Totnes (Dr Wollaston), who has an almost unique perspective on these matters. It is a perspective slightly different from mine: I spent many years slightly further down the food chain, dealing with both the prosecution and defence of serious sexual crimes in the Crown court, including the abuse of children, rape and other offences of a sexual nature, involving both males and females.

It is perhaps inevitable that a debate about defendant anonymity has been dominated by the issue of the treatment of the victims of rape and the investigation of that very serious crime. That is not a criticism—in fact, it is a rather welcome development. It is inevitable because the focus of the proposal in the coalition document was centred on rape. That was a mistake. The points made about broadening the ambit of the anonymity question are right. Perhaps the most important point made today, however, was the one made by my hon. Friend the Member for Broxtowe: the word "anonymity" is causing us a problem. It is taking us away from the real issue, which is the coverage and reporting of such cases, an issue that has been thrown into particular relief in recent years by the power of the electronic media and the internet.

For generations, local newspapers were, with the greatest of respect to them, the chip paper of tomorrow. They were easily forgotten—trashed, buried. However, the internet is not just for Christmas; it is for life. I am sure that we have all had constituents who were the victims of false allegations years and years ago, but who are haunted by the spectre of a Google search linking their name for ever with that false allegation. I am sure that we have all had cases of people pleading for help—some of them have mental health problems as a result of what happened to them. Let us not forget that none of the proposed changes to the law will help those people, which is why the point made some time ago by the right hon. Member for Leicester East (Keith Vaz)—that this issue not only covers home affairs or justice, but is a media matter, for the Department for Culture, Media and Sport—is so important.

The more I think about the issue, the more I come to the conclusion that we should be grappling with the equally difficult—indeed, perhaps somewhat more difficult—question of the power of the internet, and how to regulate it and seek in some way to expunge the names of those innocent individuals from that awful spectre of a Google search when, for example, they apply for jobs and find that their names are for ever besmirched. That is the problem that so many innocent people have to face, and it is a problem that we need to start talking about, and seeking to address and in some way solve.

I return to where we are in this debate. Recognising the problem that I have outlined, I think that reporting restrictions should surely not be confined to rape or sexual allegations generally. There are many scandalous allegations made against individuals—they have been well discussed today, but I shall not repeat them for fear of overstepping my time allocation. However, the point has been powerfully and simply made by many colleagues in all parts of the House that to try artificially to restrict the proposal to one category of crime not only poses the kind of problems that the right hon. Member for Don Valley (Caroline Flint) identified in her powerful contribution, but risks taking us back to the naturally emotive issues that surround the crime of rape.

I should like to digress for a moment and talk in support of the many speeches that have been made today about the need for better investigation of rape crimes. Let me tell the House that my experience of the prosecution of rape is that juries always look for that extra bit of reassurance—particularly where consent is the issue—that they can often get from powerful scientific evidence. "Why scientific evidence," one might ask, "if the issue is consent? How on earth can that be relevant?" The answer is that trials can take peculiar twists and turns. Issues that might not have seemed important to investigating officers at the outset of the investigation can suddenly loom rather large in the consideration of the jury when one goes through the evidence with a fine-toothed comb.

I will give the House a simple example. Where the act took place can often be a powerful indicator of whether consent or the lack of it can be proved. For example, if the act took place on a floor or an area that would not be consistent with consent, scientific evidence can often help to prove a case, particularly if the defendant and the complainant disagree about where the particular act of intercourse or sexual misconduct took place. I know that that might sound like arguing with the benefit of 20:20 hindsight, but the truth is this: the scene of a crime of rape should be treated as seriously as the scene of a crime of murder or any other alleged act of serious violence. Far too often, scenes of crime are not sterilised, preserved or properly protected by investigating officers, with the result that valuable sources of evidence are lost. I accept that that is a question of resources, and I know that senior police officers will have a very difficult round in the year ahead, but time and again police officers have told me that this is a problem that they face. There is no lack of will or empathy involved; there is simply a lack of resources for conducting proper investigations of rape allegations.

The attrition rate has been mentioned. That is perhaps rather an inelegant phrase to use when we are talking about such a sensitive crime, but we must not forget this. The rate will be increased if prosecutors make decisions to pursue cases that fail the test of a reasonable prospect of conviction. That should be a cast-iron test to be applied to every case, irrespective of the type of allegation. I do not say that in a cold-hearted way; I believe that such a test serves the public interest.

[Mr Robert Buckland]

Let us put the questions of attrition and investigations out of our minds for the moment and return to the question of reporting restrictions. I believe that there is a case for the creation of a discretionary power for judges to impose reporting restrictions in whatever cases they see fit, subject to a simple test—namely, that of the interest of justice. That is a wide test that is applied by the judiciary up and down the land every day of our working lives. At a stroke, it would cut through all the sensitivities that have been quite properly expressed today, and all the problems that come with identifying particular professions and particular types of offence. We must trust the judiciary to do the job that they are trained to do.

In that regard, the speech made by my hon. Friend the Member for Broxtowe—I nearly called her my learned friend—was an extremely important one. She proposes discretion up to charge. I would go further and propose discretion throughout the course of the trial. That could cover a range of different allegations. It would also allow a properly informed judge, faced with an unmeritorious application from a defendant who perhaps did not deserve the protection of reporting restrictions as much as someone of good character, to make a decision based on all the information before them. That would remove the quite natural emotion that we hear in debates such as this one, and allow us to avoid the natural collision of views over the investigation of the serious crime of rape, as well as the more general issues about journalism, reporting and reputation.

For that reason, I urge the Government to think again about their current position and to widen the ambit of the measure to include a wide range of offences. Furthermore, the word "anonymity" might be relevant in the case of an undercover police officer, who can now give evidence while being protected by statute—following the problems of two or three years ago when the European Court ruled that the current common law position was inadequate—but we should stop using the word in relation to this debate. We should be talking about reporting restrictions. If we do introduce legislation on this subject, I want that term to be used. On that note, I hope that I have in some way contributed towards this excellent and well-informed debate.

4.24 pm

Geraint Davies (Swansea West) (Lab/Co-op): At the nub of this debate is the question of whether the police should be allowed the discretion to release the identity of people who they believe are serial rapists, with a view to getting more victims and more witnesses to come forward and provide more evidence to facilitate prosecution. That point was touched on in an excellent speech by the hon. Member for Totnes (Dr Wollaston), who obviously has a great deal of experience in this area. We have heard good debating points, but we really need to get to the nub of the issue, because I fear that if the anonymity proposal for rape defendants goes through, we will end up tying the hands of the police.

We are not talking about allowing all the names of all the people ever accused of rape to go out to the media before charge. Rather, we are talking about whether in certain instances, where people are known to be serial offenders but have not been successfully prosecuted, the police should be allowed—given the statistical background we have discussed—to facilitate the process of getting more people to come forward. I believe that if the anonymity proposal is pushed through, we will simply end up with more rape—particularly by serial rapists—less reporting and fewer convictions.

In my area of Swansea West, as elsewhere, there is serious and widespread concern about this issue. I know that some Members have said that it is not political, but I have encountered people saying, "Look, I voted Liberal Democrat, and I did not vote for hiding the identity of prospective rapists and increasing the number of rape victims. I did not vote for that." This policy emerged, of course, from a Liberal Democrat conference resolution in 2006. To be fair to the Conservatives, in 1988 the veil was pulled and hidden identity was thrown away under pressure from the police, who said that anonymity was preventing women from reporting. That remains the case, so I hope that the Conservatives will go back to their previous position. I realise that some sort of deal has been done on VAT and everything else, but let us not allow it to get in the way of the rights of women and their protection. Disclosure generates confidence—confidence to stand up and be counted against serial offenders.

Most crime generally is serial crime. We all know that the vast majority of crime is perpetrated by just a few people—and that is certainly the case with rape. Like other Members who have spoken, I have had the great pleasure of witnessing a presentation by the chief constable of Cheshire, Dave Whatton, who showed evidentially the relationship between disclosure, witnesses coming forward and subsequent convictions. The reality is that a person comes up for a rape trial, often on their own, but with disclosure, others might come forward. As I mentioned in an earlier intervention, in some cases, evidence from the first victim might not be sufficient for conviction, but it might be with the collaborative evidence of others. Without that additional evidence, the case is likely to fall and more serial rape is likely to be the result.

Caroline Flint: My hon. Friend makes an important point about the opportunity for the press to publish information about defendants, which could strengthen the case if more women come forward. Their cases might not get on the charge sheet, but even if it is the first time that they have come forward, it would help to give them closure, in that they would know who their attacker was and their additional evidence would hopefully contribute to a successful conviction and their attacker going to jail.

Geraint Davies: That is absolutely right. We talked earlier about the problem of putting things in boxes and isolated cases. Some women go through thinking that they have contributed to the incident or even that it is somehow their fault, but if they knew that the person had a consistent pattern of behaviour in raping women, they would no longer think like that. Sometimes a woman—or a man—does not want to stand in front of a court; a difficult case might fail completely because no one else comes forward and the evidence is insufficient. In those circumstances, the victim could end up being branded as a woman—sometimes a man—who makes false accusations. They have told the truth, but on the

balance of evidence available from only one witness, the accused is found not guilty, and the woman then becomes "a liar". What signal does that send when we want to encourage more witnesses to come forward?

I appreciate that the point was made seriously, but I do not agree with my right hon. Friend the Chairman of the Home Affairs Select Committee—the point about Google raised by the hon. Member for South Swindon (Mr Buckland) was well made—that there is an equivalence between the psychological and reputational difficulties of the accused, although they certainly exist, and a lot more women being raped. There is no qualitative equivalence between them. Quantitatively, the number of malicious, false allegations is minute, whereas the number of unreported—certainly unconvicted—rapes is massive. On the balance of the argument, qualitatively and quantitatively, the case for anonymity is not made.

Mr Buckland: Will the hon. Gentleman give way?

Geraint Davies: Briefly, as I mentioned Google.

Mr Buckland: The hon. Gentleman is not suggesting that there is a trade-off between the effect on an innocent person and rape being undetected and victims not being served by the system, is he?

Geraint Davies: We must maximise our impact on injustice against victims and the wrongly accused. Ultimately, however, there is a trade-off, because if we push forward with anonymity, there will be more rape, more rapists and more rape victims. A few innocent people might get accused because of the culture and environment we create, but it is obvious where I stand in that trade-off.

The chief constable of Cheshire gave the example of a vicar who used to be a teacher. There was a media revelation about him being accused, and immediately eight more victims came forward, as a result of which he was convicted. We have heard about the 12 women who came forward about the black-cab driver; suddenly, after photos were published, 81 more women came forward. In the case of the paedophile running a teenage football team, publicity led to 14 more victims coming forward. Under the anonymity proposal, that would not have happened, and we would not be protecting the victims, including children.

There is a prisoner's dilemma whereby we rely on the brave victim coming forward and encouraging other people to have the confidence to do so. With anonymity, the risk is that that person will stand alone, and that in the time between the accusation and the court case, she will be open to harassment through texting and phone calls saying, "You haven't got a chance. You know you're going to lose." Then, when she does lose, other people will look at her and say, "I'm not ending up like Mary. She was harassed for ages, and now she is regarded as a liar." Anonymity changes fundamentally the power relationship between victim and accused. The accused will realise that, it will reduce the risk to serial rapists who use drugs or alcohol to carry out their crimes, and it will increase rapist confidence.

Under the proposal, the balance could tip even further against the victim. The statistics already suggest that 0.5% of women are raped each year—about 140,000 women a year. Of those, about 100,000 do not report the rape. Why is that? Obviously, there is a systemic problem with the justice system. About 5% of women in the population—1.4 million—have been raped. Despite that horrendous figure, we are discussing measures to deter people from coming forward.

The chief constable of Cheshire gave a snapshot of statistics in the year to March 2010. He reported that 155 crimes had been recorded as rape, 33 of which were prosecuted, with 23 convictions. Nobody was found to have put forward a malicious, false accusation, although 13 cases were regarded as non-criminal. His evidence suggested that, occasionally, accusations are dismissed. I do not pretend that there are not malicious, false allegations, but there are few of them. Obviously, false allegations are serious, because when people are found to have made them they are punished by, for instance, as has been mentioned, two years in jail, which is fair enough. However, we should not change legislation because of a small number of people, when a large number of people are suffering very serious consequences, against a backdrop of a massive amount of rape. We should not rush a change through before the summer recess as has been suggested.

Women, in particular, will see the proposal in the wider context of a new Government suggesting that there should be less closed circuit television and less use of DNA, and now they are suggesting that there should be anonymity. Plus they are cutting £125 million from the police grant. When all that is put together, it does not look good to the victim, or suspected victim, of rape. To those watching this debate, I point out that 1.4 million women have been raped. Again, that is against a long-term cultural backdrop of endemic sexism in the judicial system. I see men on the Government Benches raising their eyebrows, but we have all heard about contributory negligence: "She was drunk"; "She had a short skirt on"; "He couldn't help himself"; "He was a former boyfriend"; "And what about her sexual history?"; "What about his military career?"—all irrelevant, erroneous considerations. Consent is consent.

Anna Soubry *rose—*

Geraint Davies: I consent to the intervention.

Anna Soubry: Does the hon. Gentleman agree that those days are long past? Raising the sexual history of a complainant is specifically prohibited, apart from in extremely rare circumstances, under section 41 of the Youth Justice and Criminal Evidence Act 1999. Does he agree that that is a long time ago? We have moved on greatly in the past 15 to 20 years.

Geraint Davies: No, I would not agree. I heard of a recent case where such suggestions were made about clothing and all the rest of it by the barrister in putting the defendant's case. That is still the backdrop. We can all pretend that we do not live in the environment in which we do. The environmental context is pulled in when such cases are considered, and that is another reason why people do not want to come forward. They say, "Oh no, I was out on a Saturday night and I'd had a few drinks, so it's an I-was-asking-for-it type of thing."

Guy Opperman (Hexham) (Con): To be fair, in the past 13 years, the hon. Gentleman's own Government made immense efforts with the judiciary to change

[Guy Opperman]

previous judicial thinking, however misinformed it may have been, as the judiciary would tell him. The previous Government did a huge amount; does he not agree with that?

Geraint Davies: I must agree with that. A huge amount was done by the previous Government in this direction; that is completely true. My simple point is that the statistical backdrop is horrendous, the direction of travel of the proposal is regressive, and the cultural backdrop is sexist. As was said, the previous Government did a lot to move in the other direction. As was pointed out by the hon. Member for Broxtowe (Anna Soubry), the sort of arguments that I mentioned are frowned on, but what about the image of the system held by the people whom it serves? We have a situation where 100,000 people are not coming forward into that system because they have no confidence in it. At the same time, a dog whistle is being blown, as regards defendant anonymity. I genuinely think that such anonymity will protect more serial rapists and lead to more rape.

This is a key moment for the Government, with regard to the future of justice in cases of sexual violence. I very much hope that they pull back from what I regard as a retrograde, regressive, sexist and backward position.

4.38 pm

Guy Opperman (Hexham) (Con): Like many people in this debate, I have specific experience of the problems, having served as a prosecution barrister on behalf of the Attorney-General for many years and, more specifically, having run a free representation unit that provided criminal injuries compensation assistance, and having worked with Victim Support. In fact, the previous Government gave me an award for the work that we did for Victim Support; I accept that that will not happen ever again, but I pray in aid the fact that that award was for the work that we were trying to do on behalf of those who were so grievously affected by the issue that we are discussing.

I would like to think that we have grasped an important, serious issue, but we have done it improperly. The coalition agreement says:

"We will extend anonymity in rape cases to defendants",

when ideally it should say, "We will consult on the issue." If it had said that, many things would have been a lot easier, as they also would have been if it had followed the Select Committee on Home Affairs 2003 report in respect of sexual offences. We all understand that mistakes may have been made in the drafting of the coalition agreement, and I see no difficulty in these matters being reconsidered and handled in a better way upon reasoned conclusion over the coming months and years.

All of us must accept that the conviction rate is too low, and all of us must also accept—as I attempted to explain in my intervention on the hon. Member for Swansea West (Geraint Davies)—that much was done by the police and the previous Government, following on from work done down through the years, to provide greater assistance on this issue, and it continues to be done.

I comprehensively reject the idea that the judiciary are fundamentally biased against individual persons. That is not the experience of those of us who have spent a lot of time in the courts. Whatever may have happened in the past, my experience is that it does not happen in the present day and age.

I support the broad principle that we should consult on, and review, this issue. There is rightly considerable concern that people who are acquitted of certain offences should not have their lives ruined—and in some cases their lives are comprehensively ruined. It is accepted that in some types of cases, particularly serial rapist and sex offender cases, the widespread publication of certain details makes a difference to the conviction. That is one of the inherent flaws in the argument for going down the proposed route, but it is patently possible—this is done in a variety of other scenarios in judicial contexts—for these situations to be dealt with in a way that allows judicial flexibility. Also, the police can in certain limited instances apply to publicise such details precisely because they wish to go down what we might call the Warboys route as they think there are other related sexual offences and they want them to come to light. That similar fact evidence is already inherent in the system and followable in the system.

However, I have represented someone who was wrongly convicted of a criminal offence. I have absolutely no doubt of his innocence, but that gentleman was convicted and it took me one year and about two weeks to get the Court of Appeal to overturn the decision. That young man was desperately affected, and I do not think he will ever be the same again. It was no comfort thereafter that the individuals involved were subsequently prosecuted. That is but one example of many. Plenty of other people, such as Peter Bacon and Matthew Kelly, have been in similar situations where these matters coming to light makes life very difficult.

We should look back at the best evidence. For me, that comes at present from the Home Affairs Committee 2003 report. It is worth while contemplating the fact that some sensible and very serious luminaries were serving on the Committee at the time: Janet Dean, Chris Mullin, Bridget Prentice, the hon. Member for Colchester (Bob Russell), Gwyn Prosser, the hon. Members for Bradford West (Mr Singh) and for West Bromwich East (Mr Watson), Ann Widdecombe, the hon. Member for Walsall North (Mr Winnick), my hon. Friend the Member for Hertsmere (Mr Clappison) and my right hon. Friend the Member for Witney (Mr Cameron), the current Prime Minister. Those are the names listed on the Home Affairs Committee 2003 report, and their proposals were clear. As was explained by the current Select Committee Chairman, there were good reasons why on balance they came down in favour of anonymity not for rape specifically, but for sexual offences. As is well known, they had the support of the Metropolitan police, which is relevant because the police have been often mentioned today. They had that support because the Metropolitan police made the point in relation to sexual offences, particularly sexual offences involving children, that the publicity was damaging for everyone involved, not just the defendant.

So I submit that the favouring of the move is based on the current evidence that is best before us, and that evidence comes from the Home Affairs Committee. I endorse, however, the proposals of the Chairman of that Committee and the hon. Member for Bermondsey and Old Southwark (Simon Hughes) that this is patently something that should proceed by way of proper

consultation, ideally by both that Committee and the Select Committee on Justice working together and addressing all the evidence as they progress. I am certain that if they did that, a productive and useful process would be engaged in and the matter would move forward.

I wish briefly to discuss the issue of teachers and doctors, because I endorse entirely the proposals in respect of them, having also represented teachers who have been affected and been subject to allegations. This is a question that this House has to grasp, because although schools are not being paralysed, they are being considerably affected by the way in which teachers are struggling to cope with these issues. I finish by saying that I support the proposal in broad terms, but it is capable of great improvement.

4.46 pm

Nia Griffith (Llanelli) (Lab): I welcome the opportunity to speak in this important debate, but I am concerned and saddened that the coalition Government have proposed to give anonymity to rape defendants. I do not wish to repeat many of the excellent points made by my hon. Friends, and by the hon. Members for Broxtowe (Anna Soubry) and for Totnes (Dr Wollaston), who have brought their professional expertise to bear on this subject, but this is a serious issue.

Being falsely accused of any serious crime can have devastating effects on a person's life. However, experts in the field confirm that false accusations of rape are very rare. The Association of Chief Police Officers rape lead, Chief Constable Whatton, has said:

"The public perception is that there are lots of false allegations; my professional view is that there aren't".

Likewise, Baroness Stern's "review into how rape complaints are handled by public authorities in England and Wales" states that

"those we spoke to in the system felt that there were very few. A Crown Prosecution Service (CPS) lawyer told us, 'They are extremely rare. I have been prosecuting for 20 years, and have prosecuted for a false allegation once.' The judges we talked to said these cases occur very infrequently. An experienced police officer had come across two such cases in 15 years."

So giving anonymity only to rape defendants sends out a very clear message to rape victims that they alone are not to be believed. It tells them that they alone are not to be taken seriously. It suggests to them that there is no point in coming forward because nobody will believe them and, worse than that, as they will not be believed there is no chance that the rapist will be convicted and so there is no point in reporting rape. This would be a very backward step. Rape has a devastating effect on the victim, with the after-effects lasting for years. It is a particularly difficult crime to report and it can occur in a wide range of circumstances; it is far more widespread than is commonly known, with some 2,000 women raped every week and some 10,000 women sexually abused.

Victims of rape naturally find it very difficult to come forward, because they are often very embarrassed about what has happened, and manipulative rapists can often make the victim somehow feel partially responsible for the assault that has taken place. Victims are very worried about having to describe to complete strangers what has happened. They are also very worried about what they know will be a very long and complicated process and about being cross-examined about intimate details. Over the years, those difficulties have been recognised and efforts have been made to improve facilities and to increase the availability of specialised professionals, but it is still a big step for a victim to come forward to report rape.

One major deterrent to rape victims coming forward is the worry that they will not be believed. Giving rape defendants, and only rape defendants, anonymity sends a very clear message to rape victims, more than 90% of whom are women, that they are unlikely to be believed. It reinforces many of the insidious myths about rape—for example, that somehow the victim was asking for it or was somehow responsible for it happening.

Victims are very worried about the attitudes they will encounter if they report rape. Unfortunately, in a report produced in 2007, Her Majesty's Crown Prosecution Service inspectorate has shown that a key problem in the investigation of rape cases is "a culture of scepticism" among many police officers and prosecutors. Giving anonymity only to rape defendants will serve merely to reinforce that culture of scepticism, and although the culture might be slowly changing, the perception of many women is that it still exists. The fact that women perceive that to be the culture is making them reluctant to come forward and giving anonymity to rape defendants will only reinforce their concerns.

The proposal is like giving some sort of charter to serial rapists. Whereas now when a defendant is named, other victims are given the courage to come forward and provide additional evidence that can help to secure a conviction—many such cases have been cited this afternoon—what is proposed will do the opposite. It will hamper police investigations and make it much easier for serial offenders to avoid detection and to reoffend again and again. We all know that it is well documented how such people try to get themselves into a position of trust or a position in which they know they will have the opportunity to repeat their crime again and again.

Do the Government recognise that giving rape defendants greater protection could reduce conviction rates, particularly for serial rapists? Do they realise what a negative message they are sending to victims of rape—that they, and they alone, are not to be believed?

Enormous efforts have been made to improve the treatment of rape survivors in the criminal justice system, but no matter what is done reporting rape will always be traumatic. I implore the Minister not to proceed to accord anonymity to rape defendants because it would be an immense backward step and would undo a lot of the good work that has been done in this area.

4.52 pm

Michael Ellis (Northampton North) (Con): Several Members have asked the rhetorical question, "Why treat rape differently?" The reality is—I say this having had 16 years of experience at the criminal Bar in England and Wales—that it would not be treated differently by the law in several respects. The identity of defendants is withheld every day in hundreds of cases in our criminal justice system in cases in youth courts, or those with persons under the age of 16 who are involved in proceedings. That has been so since the Children and Young Persons Act 1933, so there are plenty of such examples every day. I accept that that relates to young people, but the principle exists.

[Michael Ellis]

That principle was reinforced by the previous Labour Government and applied to adults in relation to certain terrorist offences. Thanks to Labour legislation, the anonymity of defendants was applied in those cases, which is why one reads in the media about the cases of N or A. When Labour Members refer to the uniqueness of this proposition, I submit that they are wrong for those reasons.

Rape is also different from other offences. Often it is one person's word against that of another, particularly as regards allegations when consent is an issue. Of course, in cases when consent is not an issue, the same principle does not apply. A situation in which the evidence is the word of one person against that of another—I do not exclude males here, because males can be victims of rape, as we have discussed—can never be the case in allegations of sexual offences against children. Consent will never be the issue there. When consent is an issue among adults in a rape case, there is often no supporting evidence for a jury to get a grip of that can corroborate a complainant's account. That makes rape different from many other offences that are prosecuted in our courts and it might partly account for the exceptionally low conviction rate for rape—assuming that one accepts there is an unusually low conviction rate, because that is not universally accepted within the profession.

In every case, jurors have to be sure of a defendant's guilt beyond reasonable doubt before they convict. When it is one person's word against another's, my experience, and no doubt that of others who have practised in the criminal courts, is that juries may be unconvinced that they can be sure enough to convict someone of such a serious offence. In almost every other case nowadays, before a court prosecution is launched, the Crown Prosecution Service will require corroborative inculpatory evidence against the defendant, such as forensic, CCTV or eye-witness evidence. The prosecution would be very unlikely to proceed in cases of murder, grievous bodily harm or similar offences without some evidence other than one person saying, "This is what happened."

No doubt, hon. Members will know that in every case the CPS has to satisfy itself regarding two criteria—first, that there is a realistic prospect of conviction and secondly, that it is in the public interest to proceed. To satisfy the first test, supporting evidence would invariably be needed. It has been my experience, and that of others from the Bar who have spoken in the debate, that that test seems not to have been applied by prosecutors in rape cases. It seems that prosecutors are much more robust about telling the police that they are disinclined to prosecute grievous bodily harm or actual bodily harm cases to court because there is not enough evidence, whereas that decision seems to be left more to jurors in rape cases. I urge that prosecutors should think carefully about applying a proper test to rape, because nothing in law separates rape cases from the requirement that there should be a realistic prospect of conviction. Rape has those unique characteristics, so it stands apart from most other offences in the criminal lexicon.

A second reason that I offer for the low conviction rate is the fact that the law makes no differentiation between a stranger rape, as they are sometimes called, and another type of rape in which the accused is known to the victim. I am not calling for the law to make that differentiation, but jurors invariably do make a distinction. Many members of the Bar have found that jurors are reluctant to convict of rape when there have been historical sexual relations of a consensual sort many times, because they know that the sentence will be particularly severe.

Labour Members often ask what makes rape different, but their Government made it different legally. One more example of that is that the Youth Justice and Criminal Evidence Act 1999 recognised sexual offences as different, and section 41 placed restrictions on the cross-examination of rape complainants, creating a presumption against asking questions about previous sexual history. I do not argue that that is inappropriate, but it does restrict barristers from asking questions in court in a way that simply does not apply to other types of offence.

Glenda Jackson: Why does the hon. Gentleman think that the previous Government changed the law in that way? Surely it was because of the kind of severe cross-examination of rape victims that had taken place previously in which victims were reduced to tears in the witness box, which had clear implications. One point that we have been arguing all afternoon is that that reduced the likelihood of a woman who had experienced rape from coming forward and making such allegations.

Michael Ellis: Nothing I say is designed to make it more difficult for women to make a complaint of rape. I accept and understand from my professional knowledge that it is an extremely difficult thing for women and men to do. However, my example showed how that offence is treated differently by the law. When Opposition Members ask why I say that such cases are different from all others, I fear that their argument is weakened by the provisions in their 1999 Act.

We are not talking about false allegations of rape as such, but it is right to bear it in mind that we have a system that we must cherish: a person is innocent until proven guilty. I accept that there must be no barrier to people making a complaint, because it is already extremely difficult for them to do so; but Her Majesty's Government are not trying to do that in this proposal. Rape is uniquely stigmatising, so much so that if one goes to prison, as I have done—obviously to see clients—one can see what happens there. Prisoners charged with rape—never mind convicted—are treated differently from other prisoners. The sad reality is that a person charged or convicted of murder or a serious offence of violence can actually be respected in the prisoner context, but those accused of rape have to be segregated. There is a unique stigma.

Rape is uniquely stigmatising and it is already treated differently by the law. I give an example, from my legal knowledge. A 17-year-old military recruit and a younger girl, aged 16, made contact via the internet. He travelled to meet her and they had sexual relations. He drove her home, by which time her father was out looking for her; indeed, she saw him in the car. At her doorstep, the mother asked, "What has he made you do?" The girl had some psychological problems and it was clear from computer conversations with friends that she was very frightened, but it was also apparent that the case was prosecuted wholly partially, with officers repeatedly reassuring her at interview that she had done the right

thing. Of course, they wanted to do the right thing for her, but one has to ask whether it was doing the right thing by a complainant to reassure her repeatedly and not put her, or him, to the test on the quality of their evidence. It will be explored in court proceedings, which puts the complainant under even more pressure.

In the case I am describing, the young man was remanded, released on bail and remanded again. The case came before a Crown Court judge and when counsel—not me—asked the first question, "He didn't rape you, did he?", the answer was "No", and the case was dismissed. I regret to inform Members that such cases happen on a regular basis.

Caroline Flint: The hon. Gentleman suggests that such cases happen on a regular basis, but there is no evidence for that—it is anecdotal. One of the things Baroness Stern was asking for was better evidence of false allegation in all crimes, including rape. We need to get the data and evidence right, because such phrases do not help the debate at all.

Michael Ellis: In the absence of statistics, one can only go by one's anecdotal experience, and it is reasonable for barristers who have worked in the Crown Court daily for many years to draw on that experience. I differ from what the hon. Member for Llanelli (Nia Griffith) said about the number of cases prosecuted as perversions of the course of justice or malicious reporting of rape. That number will be very much lower than the average. That is because it is very difficult to prove a negative, and one would normally have to ascertain that the complaint was made in wholly and probably dishonest circumstances—for example, it might later transpire that the complainant and the victim were in two different locations. But it is illogical for the hon. Lady to draw the conclusion that because there are X prosecutions for perverting the course of justice, there are not that many false accusations. The two are totally different.

Nia Griffith: Does the hon. Gentleman accept that I was quoting the professionals who have been involved for many, many years in such cases? I was not quoting the number of actual cases that might have been brought. I was quoting what the professionals had said, and they said that the number of false accusations being made anywhere in the process was extremely low.

Michael Ellis: Nothing that I have said is designed to protect the guilty. I accept what the hon. Lady says. As far as I am concerned—I emphasise this—anyone convicted of this sort of crime deserves the full wrath of the law and society. I am motivated here—I am sure that all Members would sympathise with this—by the protection of the innocent, and the ancient principle that all in this country are innocent unless or until they are proven guilty is a principle that we should never derogate.

5.6 pm

Chi Onwurah (Newcastle upon Tyne Central) (Lab): I will not speak for long, as many of the arguments that I wanted to make against the coalition's proposals have already been made very eloquently and forcefully by fellow Members on the Opposition Benches—and also, on occasion, by those on the other side of the House. With some exceptions, the level of debate on this very sensitive subject has been such as to make me feel very privileged to take part in it, although I still regret absolutely the necessity for me to do so.

I want to share with the House the experience of one of my constituents, to illustrate the distress that the coalition's proposals are already causing to many people in my constituency. I should say that the family concerned asked me specifically to share this information when they heard of the coalition's proposals.

I will be keeping the identity of my constituent private. When we hon. Members make reference to victims of other crimes, such as murder or stabbings, we often name them. We do so because we think that brings honour on them. But not in the case of rape. The stigma of rape still contaminates the victim, even in the 21st century. I know that we all believe that that is wrong, and that many Members on both sides of the House, and indeed people across the country, have worked for years to eliminate that stigma, and huge progress has been made. But the coalition's plans risk endangering much of that progress. That is because giving rape defendants anonymity is a unique fashion of saying to the public, to the jury and to the victim him or herself, that victims are not to be trusted.

My constituent was raped many years ago now, but her experience still impacts on her life and that of her family. Her attacker drove into her, causing her a minor injury. He then apologised profusely and offered to give her a lift home. En route he parked and forced her into a disused building, where he raped her after repeatedly punching her in the face. She was held hostage for many hours. She feared for her life, and indeed her life was in the gift of her attacker. Fortunately, she managed to escape, and fortunately also the police were able to trace the attacker. But even after arrest, my constituent's attacker viewed his crime with little seriousness. He intended to plead not guilty. He said the victim wanted it all along. After all, she had got into the car with him; she must be in the habit of having such encounters with strangers on the street. And it was only her word against his. One can only imagine how distressing that was not only for the victim, but for her family.

I want to emphasise that the reporting of rape is always a distressing experience for the victim and those who are around him or her. By introducing these proposals, the coalition is now making my constituent and her family relive that experience. In her case, only when another of her attacker's victims came forward, owing to the publicity and the naming of the attacker, did the case become strong enough that the defendant decided to plead guilty, thereby saving her from the trauma of having to give evidence. That ended the prospect of my constituent having to relive her pain in a court case, but she is still reliving her pain now when she thinks that, if the coalition's proposals had been in place, her attacker may never have been convicted.

The Government's main argument, as we can understand it, for giving rape defendants anonymity seems to rest on the possibility of false allegations. It is true that false allegations of any serious crime can ruin lives. It is terribly distressing to be falsely accused of any crime, and we must do all that we can in the justice system to minimise the likelihood of that happening. However, as I believe the Minister acknowledged, there is no greater likelihood of false allegations being made in cases of rape than in cases of other crimes, whereas we all

[Chi Onwurah]

know—we have the statistics to show it—that the under-reporting of rape is far greater than that of other crimes of a similarly serious nature. So why does it make sense to introduce these proposals to give anonymity to defendants when we need to do all that we can to encourage rape victims to come forward?

Hon. Members have discussed the principle that anonymity is awarded in relation to vulnerability, such as that of children. Children, the victims of organised crime and rape victims are given anonymity, but rape defendants do not fit into that mould of vulnerability. Indeed, the Minister said that one reason for giving anonymity was to create—I think that this was his phrase—a balance of arms. I hope that he did not mean to imply that the objective of our criminal justice system is somehow to clear the ground, so that the defendant and the claimant can fight it out like some sort of mediaeval tournament. That would be a regressive step.

I hope that the coalition will understand that these proposals will take our criminal justice backwards and that, if we want to live in a society, as I am sure that we all do, where respect for law and belief in justice are given to all, male or female, defendants and accused, awarding anonymity to defendants will be a most regressive step.

5.14 pm

Ms Louise Bagshawe (Corby) (Con): I am glad to have the chance to contribute however briefly to the debate. I must start by apologising to you, Mr Deputy Speaker, and to the whole House for the fact that I cannot be present for the winding-up speeches since I have an urgent appointment in my constituency with the fine young men and women who serve in the Corby air cadets. I hope that Ministers will forgive me. I will therefore be very brief, because everything that needs to be said has already been said. We have seen—have we not?—politics at its best in the debate, which has been non-partisan, sober, well judged and rational.

I associate myself with the remarks of my hon. Friends the Members for Broxtowe (Anna Soubry), for Totnes (Dr Wollaston), for South Swindon (Mr Buckland) and for Hexham (Guy Opperman). I am also most encouraged by what the Minister said today, because the coalition Government are proceeding in the proper way. It is clear that they intend to consult and to listen. I am not persuaded that a long, formal consultation is necessary as long as the informal consultation is wide and genuine.

I urge Ministers to take account of the views of no less a personage than my right hon. Friend the Prime Minister, who referred in a reply to the right hon. and learned Member for Camberwell and Peckham (Ms Harman) to the 2003 report by the Select Committee on Home Affairs. We heard today from the right hon. Member for Leicester East (Keith Vaz) exactly what the Committee's proposals were. If the House will forgive a little repetition, they were that we should consider extending anonymity to those accused of all kinds of sexual crimes, including sexual crimes against children.

Surely the main concern—it has been raised by hon. Members on both sides of the House—is the exceptional nature of rape that is implied in the current proposals. However, I suggest that the Minister look at the wording of the phrase in the coalition document. It says that we will introduce anonymity for rape defendants, not that we will bring forward anonymity only for rape defendants. My hon. Friend the Member for Broxtowe, in her very fine speech, offered a good compromise that Ministers might like to consider. She suggested that there is a case for looking at the trauma of people who are wrongly accused of crimes of all stripes, and for considering widening anonymity to those accused of sexual crimes or crimes of extreme violence. They might also consider giving discretion to judges and the police. Surely that is one way forward.

As I said, I am encouraged that the Government wish to consult. Clearly, as we have seen from the tenor of the debate, this is not and cannot be a party political issue. My right hon. and learned Friend the Lord Chancellor suggested that there could be a free vote, and I associate myself with the plea that my hon. Friend the Member for Totnes made for that. However, if that is not the case, we might look at expanding the application of anonymity. That would provide a way forward that could command support and respect on both sides of the House. I am very encouraged by the way in which the Government are seeking to consult properly and to listen to Members on all sides of this very important issue.

5.17 pm

Nicola Blackwood (Oxford West and Abingdon) (Con): May I begin by paying tribute to the excellent maiden speakers? In that, I single out the astute comments of my hon. Friend the Member for Gillingham and Rainham (Rehman Chishti), who mentioned all his local newspapers. It made me wish that I had mentioned during my maiden speech what fantastic publications we have in the *Oxford Mail*, the *Oxford Times*, the *Abingdon Herald*, and the *Oxford Journal*.

From the outset, I must declare that I have great sympathy with some of the objections that I heard today. Just last week, there was an attempt to abduct a young girl in my constituency from outside a primary school just five minutes from my home in Oxford. I would not want to support any action that would make it harder to find that man and bring him to justice, or action that would make it harder to prevent him from actually succeeding on a future occasion.

I have spent some time investigating sexual violence in conflicts for the Conservatives' human rights commission and as a volunteer for the local domestic abuse group. I have met, and heard the testimony of, victims of some of the worst crimes imaginable. Those testimonies are seared on my memory, and it is difficult for me to remain completely objective on this issue. As a result, the suggestion of granting anonymity to rape defendants made me very nervous. I am worried that the proposal will send the wrong message to rape victims at a time when we have managed to turn around the culture of disbelief and the poor treatment of rape victims by police and the courts. Credit must go to the previous Labour Government and some of my hon. Friends for the impressive work they did in the past decade to achieve that.

I am also concerned that anonymity will prevent women who find out that their rapist is charged with another offence from coming forward. At the same

time, we must accept that in this country, innocent until proven guilty is the fundamental tenet of our law, and we must defend it fiercely. The imperative to protect ourselves, our families and our communities is one of the strongest that we experience, but we must ensure that in trying to do that, we do not give away the very life we want to protect. The rule of law shields us in our innocence and punishes us only in guilt.

I must disagree with some of the comments made today. On the moral spectrum of our culture, sexual offences—especially rape and paedophilia—rank higher in public disgust than many other offences. It is for that reason that if we heard that a teacher at our child's school or a local GP had been accused of rape, we would find it very difficult not to take action to protect our children on the basis of that suspicion, but if we found out that one of the governors had been accused of theft, we would wait to test the veracity of the allegation before taking action.

Maria Eagle: The Government's proposal is not to give anonymity to those accused of paedophilia. Rumours abound in schools when things go wrong, and if someone were protected by anonymity and another child were to be hurt by that perpetrator, what kind of signal would that send to society?

Nicola Blackwood: I am merely trying to make the point that our culture ascribes greater disapprobation to sexual offences than it does to other offences—as some in this Chamber have claimed.

I have a constituent who was wrongly recorded as being a sex offender for 15 years before he discovered the error, and the distress that he has experienced has been extreme. Ironically, the very fact that conviction rates for rape are so very low and reoffending rates so famously high perpetuates this culture. When so many defendants are acquitted, there is a sense that it is not because they are innocent but because the system is so poor that it is letting off the guilty. There is a sense that even if they got off that time, the likelihood is that they will do it again and probably do something worse. That means that acquittal in sexual offence trials accords the defendant legal innocence, but does not necessarily accord them innocence in the court of public opinion—they may have lost that for ever.

Meg Munn: I apologise to the hon. Lady for not being in my place at the very start of her speech. Unfortunately, the situation she has just described reflects the fact that it is difficult to achieve a conviction in sexual offence cases. Some of those who have committed offences will be found not guilty because the case has not been proven.

Nicola Blackwood: I accept that, which is why we are in such a difficult position and why this debate is important.

In an age of tabloid journalism, the internet and social networking, the potential damage that such an allegation can cause has increased exponentially and it has become dramatically more difficult to contain. Let us not pretend that we always respond moderately to such allegations. Recently, a paediatrician was targeted because it was thought that she was a paedophile. I am unsure whether the granting of anonymity would be able to contain gossip-mongering and I would like to see that taken into consideration in the inquiry and the expert evidence over the summer. It is worth considering whether there is a way to provide some workable form of anonymity to those accused of all sexual offences in limited circumstances and for limited periods of time. As I say that, I am very conscious that we have heard some very learned contributions from many lawyers today. I am not a lawyer and I hope that hon. Members will bear with me as I try to articulate some of the areas that concern me.

Few of us on either side of this House would be comfortable with the suggestion that automatic anonymity should be granted for any point beyond charge. If proposals were to be made, I would be keen to see a framework that required judicial oversight after charge and a set of criteria that limited eligibility to exceptional circumstances, for example where the police do not consider the defendant a risk to others or if his ability to continue working or living in his community would be catastrophically affected. As has been mentioned, in 2003 the Home Affairs Committee recommended anonymity between allegation and charge, but I would point out that that was for all sexual offences, not just rape. It seems reasonable to offer anonymity for the first period, but I am not necessarily convinced about any period beyond that.

I am also concerned about the impact anonymity might have through additional bureaucracy, if individuals will have to fill in extra forms and go to court for a judgment, about a time lapse in charging, and about whether that will have an effect on fairness and conviction rates. I would welcome more specialised evidence, and I would feel reassured if the inquiry to which the Minister referred were to include significant, if not formal, consultation with those who work on the front line of support services for sexual offences victims. A great deal of concern has been expressed by some in my constituency, and it would be appreciated if they could be consulted.

I do not want to continue much longer, because there has been much debate already and most of the points have already been made. However, before being satisfied that defendant anonymity will be workable, I would want to know that other options for bringing multiple victims forward, such as publicising the modus operandi, would be just as effective as publicising identity. I would want to know that this anonymity would not prevent police from using artistic impressions or closed circuit television shots to hunt suspected criminals where appropriate. I would also want to know that in the labyrinth that is the prosecution of sexual offences, it is possible to produce workable legislation, the bureaucratic burden of which does not outweigh its value.

Most of all, however, I just want to be convinced of one thing: that introducing anonymity for these defendants will not make it harder to convict those who are guilty. I will not close my mind to the possibility that anonymity for sexual offence defendants might be a useful tool in our justice system, but it is wrong that those wrongly accused of rape should have their lives permanently destroyed. However, let us ensure that, in offering anonymity, we are not creating another wrong and setting back sexual offence legislation. Two wrongs do not make a right, and the road this far has been a long and hard one.

5.27 pm

Maria Eagle (Garston and Halewood) (Lab): We have had an extremely good debate across the Chamber on this thorny issue. I welcome the debate, and thank the Leader of the House for listening to the entreaties for one, and the Government for finding the time to provide it. It might have something to do with the lack of legislation at present, but none the less we are grateful to the Government for finding the time to have it.

I congratulate all those who have spoken on both sides of the House, because the debate has been of an exceptionally high quality. In particular, I congratulate the hon. Member for Gillingham and Rainham (Rehman Chishti), who is no longer in his place, but who earlier made his maiden speech. Although I did not agree with absolutely everything he said, Labour Members were grateful for his kind remarks about his predecessor, Paul Clark, who is a friend of mine. I noticed that the hon. Gentleman was a bit of a rebel, because he said he believed in anonymity for all sexual offences until conviction, rather than just until charge, which the Minister argued for.

I also congratulate the hon. Member for Cannock Chase (Mr Burley), who is in his place, on his maiden speech. He conjured up a picture of his constituency that I think we all enjoyed. However, he conjured up more of a picture of his family, which we all enjoyed possibly even more. I would have liked to have met his grandmother—I wonder what she would have thought about him sitting on the Tory Benches. *[Interruption.]* He does not have to answer that. She would no doubt have been proud in one way. The hon. Gentleman admitted to seeing Simply Red with his mother and girlfriend, which was a risky thing to do, but none the less I am sure he will prove an assiduous Member of the House. He paid generous tribute to his predecessor, Tony Wright, to whom we on both sides of the House have reason to be grateful—I have more reason than most because I inherited his office. From my point of view, therefore, it is particularly good to see the hon. Gentleman in his place—if he understands my point!

I want also to congratulate Members from both sides of the House. Perhaps more so than in most debates, we have heard contributions informed by the professional experience of those Members who have spoken. The hon. Member for Bermondsey and Old Southwark (Simon Hughes) was a criminal barrister before he came to this place, and he spoke from his experience in that respect. He also set out—in some detail and quite illuminatingly—the source of the policy that the hon. Gentlemen on the Treasury Bench are having to front up, which is a policy that probably did not appear in the coalition programme for government at their suggestion. He set out in detail the policy that the Liberal Democrats adopted, which appeared to be a minor part of an extensive debate at their conference. Indeed, the suggestion appears to have been made that there should be anonymity to conviction, and in a much wider range of offences too.

The hon. Member for Broxtowe (Anna Soubry) also has experience as a criminal barrister, as do the hon. Members for South Swindon (Mr Buckland), for Hexham (Guy Opperman) and for Northampton North (Michael Ellis). One of the things that struck me about many—although not all—of the contributions that we heard was a deep scepticism about the possible consequences of the policy, if it is proceeded with in the way that it is set out at present, for ensuring that rape victims come forward to report rape and can be supported all the way through to trial, and that justice is served and those guilty of rape are found guilty of it and dealt with appropriately by society.

All those speakers had helpful points to make about their experience and suggestions for how the policy—wherever it came from and whatever its provenance—might be improved. I am grateful to the hon. Member for Broxtowe and others for the tributes that they paid to the strides taken by the previous Government. The hon. Lady said that she had a private Member's Bill, and we look forward to seeing her take it forward. I am not quite sure what number she came in at, but—*[Interruption.]* I gather that she will get a chance for a Second Reading, in which some of us will no doubt take part.

Like many Members, the hon. Lady also questioned why the coalition had decided that rape was the only offence where the defendant ought to be protected in the way proposed, and I do not think that we have yet heard a satisfactory answer to that. Many Members have suggested that even if one accepts the unique difficulty of dealing with the offence of rape, there are other sexual offences that have similar difficulties. With respect, I do not think that the explanation that the hon. Member for Northampton North gave convinced all of us on this side of the House. He referred to the youth courts, but defendants in the youth courts are granted anonymity because of their youth across the entire range of offences. Therefore, the argument about singling out defendants in rape cases as uniquely needing such protection is not dealt with by his point.

We also heard from the hon. Member for Totnes (Dr Wollaston), who I had not realised was a forensic medical examiner. She brought to her speech the clarity and succinctness of her scientific background, speaking briefly but making some extremely salient points. She said that, from her experience of dealing with victims at that sensitive time shortly after they have been attacked and reported the incident, she knows that the majority of such crimes are not reported and that fewer than 5% of the women she saw ended up securing a conviction.

Perhaps most importantly, the hon. Lady made it clear that it was her impression, from her professional experience, that many women have the courage to come forward and report an incident—thereby setting out on that long and difficult road—only because they think that they are helping other women. If any policy, well intentioned or otherwise, prevents women at that sensitive time from thinking that they will help other women by reporting, we will be doing them a disservice by proceeding with it. What will happen is less reporting; consequently, there will be more scepticism and more rapists will get away with it. My hon. Friend the Member for Swansea West (Geraint Davies), among others, made the important point that serial rapists would get away with it, which would equate to there being more victims. The speech of the hon. Member for Totnes was brief, but it was extremely salient.

My right hon. Friend the Member for Don Valley (Caroline Flint) made an extremely good speech, as we have come to expect from her. She took up this issue at an early stage and pressed the Government on it, and, as the Under-Secretary of State for Justice, the hon. Member for Reigate (Mr Blunt) knows well, she does

not let go once she gets started. Her speech was not only powerful but extremely salient. She said that the Government had today spurned the opportunity to retreat a little further, having thought about the matter in more detail. The Under-Secretary of State for Justice, the hon. Member for Huntingdon (Mr Djanogly) would do us all a favour—including, I dare say, his colleague, the hon. Member for Reigate—if he were to tell us at the end of the debate that the Government would be willing to listen a little more than they have so far, and would be willing to go away and do a number of things, which I shall come to in a moment.

Similarly, my hon. Friend the Member for Sheffield, Heeley (Meg Munn) brought to her speech her experience as a social worker of dealing with some of these issues. Her speech was also extremely powerful. It helps the House, when we are considering these matters, to have such a professional perspective from Members. She said that this was an ill-thought-out policy, and as many people have done she urged the Government to think again. She brought great insight to her remarks, based on her professional experience, and said that we should never underestimate the difficulties involved in prosecuting rape.

Importantly, my hon. Friend said that we had to proceed from a position of believing people. We do not necessarily need to say a complainant, "I'm going to believe you 100%, regardless of the evidence arising out of the investigation", but when a woman, man or child comes forward to report a rape, we must not start by giving them the impression that we probably do not believe that it happened. There was far too much of that from the statutory services in the past, but we have moved away from that now. The barristers on the Government Benches who have spoken today made it clear that things have improved, and I agree with them. We must not do anything that takes us back to those bad old days.

My hon. Friend the Member for Swansea West urged the Government to think again, describing the anonymity proposal as a dog whistle, and saying that it would protect serial rapists, resulting in more people getting away with rape and fewer victims coming forward. It ill behoves the Government to ignore those warnings; they really should bear those concerns in mind.

My hon. Friend the Member for Walthamstow (Stella Creasy) pointed out the inconsistencies and complications of the policy, as well as some of the unintended consequences that might follow if it is introduced very quickly. My hon. Friend the Member for Llanelli (Nia Griffith) tackled the issue of false allegations, and set out the argument why, in her opinion, the measure would represent a retrograde and undesirable step. She made her arguments very strongly.

My hon. Friend the Member for Newcastle upon Tyne Central (Chi Onwurah) powerfully described the experience of one of her constituents, illustrating how publicity can be important in certain instances. Other hon. Members have also set out the experiences of those who have been wrongly accused, which were different from that described by my hon. Friend. Of course, one case alone cannot change the law, and we must look across the board at the impact of all these factors on this particularly sensitive issue.

The Government should be asking themselves a number of questions when they go away to consider these matters further, as I—and Members across the House—urge them to do. What will be the impact of anonymity at whatever level—for charge, for conviction, for rape or for a wider range of offences—on the ability of victims to report attacks and on the likelihood of them being believed? It is important for Ministers to consider that question. Also, what impact will it have on the ability of the police to investigate and catch rapists? What impact will the proposed reporting restrictions have on our free press and the concept of open justice? We must remember that the wider we extend such a provision, the greater the impact on the very basis of our justice system, according to which allegations are made, cases are heard and dealt with in public, so that justice can be seen to be done as well as be done. These are important concepts and the wider we range across breaching that system, the more fundamental the risk to it.

Will these proposals really make it easier to catch and convict rapists? Why, oh why, single out rape as a crime for different treatment? We should look at the impact—not just the intentional impact, which one accepts is obviously not to make things worse—of doing so. What will be the practical impact on the victims who might otherwise have come forward? Let us have the research done on the level of malicious false reporting. Baroness Stern has called for it, and a number of Members have said that the evidence base is not extensive enough for us to be clear. That is true, so let us have that report.

Finally, how does anonymity for defendants improve the conviction rate for rape? At the end of the day, it is the conviction rate that we all want to see improved. That is what will send out the signal from society that this crime will not be tolerated and that we fully intend to crack down on it.

Let me ask the Under-Secretary of State for Justice, the hon. Member for Huntingdon three things before he replies. Can this new research on attrition and the level of false reporting that Baroness Stern has called for be carried out before the policy is finalised, implemented and legislated for? Will he give us an assurance that the research will not simply be a review from a senior civil servant—all of whom in the Ministry of Justice I greatly respect, by the way? We do not want just a survey of the existing evidence base, which would be helpful but would not take us forward. We could all go to one place to read it, but it would not add to our knowledge. Can we have real research, as Baroness Stern has suggested, into the real level of malicious false reporting? That is the important issue here.

Secondly, can we have a proper and full public consultation? The call for it from across the Chamber has been widespread, including from some Members who have supported the proposals and others who have expressed grave doubts about them. I was concerned when the Under-Secretary of State for Justice, the hon. Member for Reigate promised "a consultation", but only a short, limited and restricted one. For a subject as sensitive and important as this one, such a low and restrictive level of consultation is insufficient, especially when the change could have a big impact on our capacity to deal with this crime. There is no argument against having a proper and full public consultation, particularly if it is true that the Government do not intend early legislation on this issue. I want the Minister who is about to reply to commit himself and his Government to giving us the consultation that we want.

[Maria Eagle]

Finally, I have been struck by the high level of dissent expressed by those on the Government Benches behind the Minister. It has been gently and politely put and has rightly been couched in professional terms, but it is dissent none the less. A great deal of concern has been expressed by Government Members, while for Labour Members the concern is universal. The policy that the Minister who opened the debate seemed determined to pursue is wrong. It is not thought through; it is not based on evidence; and it will have deleterious, and possibly devastating, effects on women victims of rape and on those who seek to improve the outcomes that society wants in dealing with this horrendous crime.

Will the Minister who just about to reply do this for us? Will he withdraw the proposals, admit that they were not properly thought through, go away, think again, get the evidence in order, and then come back to the House with fully thought-through proposals that are evidence-based and convincing, having consulted widely? Were he to do that, he would get a cheer at the end of his speech. Let us see what he will get.

5.45 pm

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): I agree with the shadow Minister that we have had a good, informed debate, with tremendous contributions from many informed people. It was excellent to hear so many good contributions from new Members on both sides of the House. Generally, the debate has been non-partisan, which, given the subject matter, is healthy.

I congratulate my hon. Friend the Member for Gillingham and Rainham (Rehman Chishti) on an excellent and thoughtful maiden speech, which let us in on the lasting effect of his having had a single-sex education. My hon. Friend the Member for Cannock Chase (Mr Burley) made an eloquent maiden speech, and his proposals to beat the fear of crime through a community-led approach were well put. We will forgive him the Simply Red concert last weekend.

The hon. Member for Garston and Halewood (Maria Eagle) made a strong opening speech, but it was sometimes based on proposals that are simply not the Government's position. She said that we were not saying what the Government's position is. In response to her, and to the hon. Member for Sheffield, Heeley (Meg Munn) who made the same point, I say that the Under-Secretary of State for Justice, my hon. Friend the Member for Reigate (Mr Blunt), made our position clear in his opening remarks. Let me repeat what he said: we intend to strengthen and formalise the current arrangements for anonymity up to the point of charge in rape cases. We will publish an independent report of existing research on rape before the summer recess, and following the request of the hon. Member for Garston and Halewood, we will consider whether new research is required to supplement it. Obviously, we will make a further announcement in the autumn.

The right hon. Member for Leicester East (Keith Vaz) questioned the independence of the report commissioned. I assure him that the report will be peer-reviewed by two independent, external experts, that their comments will be addressed by the report authors, and that the process will be rigorous.

To be fair, as the hon. Member for Garston and Halewood noted, we set aside a whole day in Government time for this debate. I trust that that leaves the House under no illusions from the outset about the importance with which we regard this issue, our desire to give direction on what is required, and how we will move the issue forward. Hon. Members, not least the hon. Member for Walthamstow (Stella Creasy) and my hon. Friend the Member for South Swindon (Mr Buckland), made many helpful general points on dealing with rape, which were slightly off the specific topic of the debate but none the less helpful.

Caroline Flint: I appreciate the time and I appreciate the hon. Gentleman giving way. Am I right in thinking that the Government intend to look at the issue of anonymity with regard to rape only? Clearly, most Members, in all parts of the House, did not want such exclusivity.

Mr Djanogly: It will be in regard to rape, pre-charge—that is correct.

Meg Munn: Will the hon. Gentleman give way?

Mr Djanogly: I will not, because I have little time and I have a lot to do.

I share my hon. Friend the Under-Secretary's view that our proposal has been somewhat misrepresented. Our position is not anti-women in any way, shape or form. It does not imply any view of the prevalence or otherwise of false allegations. There is no evidence that our position will reduce the likelihood of women reporting rape, as has been suggested. There is considerable evidence that rape is under-reported and that most attrition happens in the pre-charge stages where victims or the police decide not to proceed. The difficulties involved for victims were well explained by the hon. Member for Sheffield, Heeley and my hon. Friend the Member for Totnes (Dr Wollaston). They advised that we must be careful not to create barriers preventing victims from coming forward. The hon. Member for Swansea West (Geraint Davies) and my hon. Friend the Member for Oxford West and Abingdon (Nicola Blackwood) drew attention to the dangers that would result if we got that wrong.

Many Members explained why rape is often not reported to the police. As the hon. Member for Llanelli (Nia Griffith) pointed out, victims may think that the police will not see what happened as rape, they may have a general distrust of the police and criminal justice agencies, or there may be language or communication difficulties. Sometimes there is a fear of disbelief, blame, judgment or further attack, or a fear that friends or family will come to know about the incident. I was pleased that the hon. Member for Sheffield, Heeley and my hon. Friend the Member for Broxtowe (Anna Soubry) noted that rape is not a gender issue. The issue normally comes down to the lack of consent. My hon. Friend the Member for Northampton North (Michael Ellis) elaborated very well on that point, as did the hon. Member for Newcastle upon Tyne Central (Chi Onwurah).

Let me make it clear to the hon. Member for Hampstead and Kilburn (Glenda Jackson) that the Government are not complacent about rape. As she will know, 18% of respondents to a recent London survey of 1,061 people

aged 18 to 50 agreed with the statement that most claims of rape are probably not true. That is obviously a matter of great concern, which is why it is so important for the Government to continue to work hard, in partnership with other agencies, to engender a more civilised 21st-century view.

Glenda Jackson: Will the Minister give way?

Mr Djanogly: I am afraid I cannot.

Let me say to the right hon. Member for Don Valley (Caroline Flint) and the hon. Member for Walthamstow that, as my hon. Friend the Under-Secretary of State told the House earlier, there is no evidence that defendant anonymity would have an adverse impact on reporting. Victims may well be encouraged to come forward by the understanding that the criminal justice system is likely to deal with their complaint effectively and anonymously, but, as my hon. Friend pointed out, it is difficult to understand how a suspect's or even a charged defendant's anonymity can have an impact.

A more interesting suggestion relates to anonymity and previous offending by a defendant. Many people claim that defendant anonymity would prevent other victims from coming forward. Research conducted by Feist and others in 2007 suggests that being able to link an assault to another sexual assault against another victim is likely to help to secure a conviction, so the point is important.

There is some anecdotal evidence that publicity surrounding a case has allowed more victims to come forward. The case of John Worboys is most commonly cited in that context, and was indeed cited today by my hon. Friend the Member for Bermondsey and Old Southwark (Simon Hughes). It is not clear, however, whether the defendant's name or the release of other characteristics, such as a suspect's distinctive modus operandi, is the most important factor. That was mentioned by my hon. Friend the Member for Oxford West and Abingdon and by the hon. Member for Newcastle upon Tyne Central, although I think the latter reached a different conclusion. My hon. Friend the Under-Secretary spoke in detail about the point during an Adjournment debate on 7 June, and I know that he was grateful for the information he subsequently received from the right hon. Member for Don Valley, who spoke today with knowledge about an issue about which she cares very much.

More generally, the overriding impression given by many Members was of the sheer complexity of the subject matter that we have been debating. We heard about the history of anonymity for defendants in rape cases, which goes back well over 30 years. During that period, the legislation has fluctuated between diametrically opposed policy positions, and it has been a talking point over a number of changes of Administration.

As for the scope of anonymity, some Members have said that our proposals are not specific enough, while others—and, in some instances, the same ones—have said that we are wrong to include only rape, and to exclude other offences. What we are doing is delivering on coalition Government promises. The Opposition may not like that, but this is what we promised, and this is what we are going to do. I note that the Home Affairs Committee may now wish to consider the wider issues. We shall be pleased to see its report, and to engage with it and the House on those wider issues.

Anonymity in rape cases is clearly precedented. If other offences are now to be included, we will need to review which ones. We will need to do that very carefully, not least because of the impact the arguments for press freedom will have on the scope. We will want the scope to be as narrow as possible. This is a big area and we will remain open to discussion, but it needs to be put in that context.

The issue of anonymity for rape defendants has been bound up by some with our other coalition commitment that we will give anonymity to teachers accused by pupils. That also has a long and complex history, as was highlighted by my hon. Friend the Member for Oxford West and Abingdon, but we do not necessarily see the two situations as the same. The two commitments we have made will need to be reviewed as stand-alone issues even if their remedy may have certain similar aspects.

I have pointed to the complexity of the historical background, but anonymity also raises some complex legal issues. In the particular context of rape, it is clear that anonymity cannot be invariable and absolute, because there may well be situations in which it should be waived. The obvious example is where a suspect needs to be apprehended, but there are others. My hon. Friend the Member for Broxtowe made a strong case for judicial involvement in waiving anonymity where relevant, and my hon. Friend the Member for Hexham (Guy Opperman) also made some wise observations on publicity. Their experience in this area came to the fore in their valuable contributions.

Another issue was mentioned by my right hon. and learned Friend the Attorney-General during the passage of the Sexual Offences Act 2003. He asked about the situation in which the media want to publicise the fact that public authorities are reluctant to act in a case where action appears justified. Another example could be that where suspects wanted to waive their own anonymity, for example in order to establish an alibi. That would itself generate issues. Should the suspect's right of waiver be absolute, even if it could result in identifying the complainant in a case? Taking all the above into account, I hope the House understands why we have consistently made it clear that we need to address this subject carefully, keeping our options open until the time is right to made our detailed position known. That approach was clearly right, and remains so.

The hon. Member for Garston and Halewood criticised the coalition Government commitment for containing only a broad statement of principle, but that is what it was—a broad statement of principle. We have now refined it without losing the principle, and we have always been clear that there are various ways in which the commitment could be implemented.

My hon. Friends the Members for Corby (Ms Bagshawe), for Cannock Chase, for Gillingham and Rainham, for Broxtowe, for Hexham and for Oxford West and Abingdon all in their different ways powerfully and appropriately described the real and damaging consequences of false accusation and the importance of presumption of innocence in our law. The theme of false accusation was elaborated on very eloquently by the right hon. Member for Leicester East, who asked if the Government will be carrying out research into false allegations, as called for by Baroness Stern. I can advise

[Mr Djanogly]

him that that is under consideration by the relevant Departments as part of our overall response to Baroness Stern's review.

The hon. Member for Garston and Halewood mentioned aspects of the previous Government's record on assisting rape victim support, many of which were very worthy achievements which we hope to develop. She was less forthcoming, however, about the fact that, as my hon. Friend the Member for Bermondsey and Old Southwark noted, after a decade of Labour Government the situation for victims is still very far from what anyone in this Chamber would wish it to be. In that context, I think the Opposition may wish to consider working with us on a consensual basis, rather than adopting an aggressive approach to this serious issue. That is what the public will wish to see, I dare to say. In the meantime, as my hon. Friend the Under-Secretary said earlier, we will continue to investigate those areas that still require further thought, including whether anonymity might frustrate investigations, and any other gaps.

I can assure the hon. Member for Garston and Halewood that we will consult and seek views. However, we do not, as my hon. Friend said, see any case for holding a formal public consultation as we believe that the detailed arguments on the specific issue of rape are very well established.

Let me conclude by saying that the Government—

Motion lapsed (Standing Order No. 9(3))

Business without Debate

BUSINESS OF THE HOUSE

Motion made,

That, notwithstanding the practice of the House as to the intervals between stages of Bills brought in upon Ways and Means Resolutions, more than one stage of the Finance Bill may be taken at any sitting of the House. *—(Mr Goodwill.)*

Hon. Members: Object.

First World War Commemoration

Motion made, and Question proposed, That this House do now adjourn.*—(Mr Goodwill.)*

6 pm

Damian Collins (Folkestone and Hythe) (Con): I am grateful to you, Mr Deputy Speaker, for allowing me this Adjournment debate, whose theme is the forthcoming centenary of the outbreak of the first world war, which will fall in August 2014. It may feel as if that centenary is a little way off, but this debate is timely because today the Imperial War museum has hosted a national conference bringing together representatives of voluntary and community groups from across the country to discuss the work they can do in preparing for that centenary.

In 1964, on the 50th anniversary of the outbreak of the first world war, similar co-ordination of activity and events around the country took place. In my constituency, there was an exhibition of war paintings at the Metropole art gallery, which was hosted in conjunction with the Imperial War museum. Co-ordination also took place for the Last Night of the Proms, with music by Vaughan Williams and Britten acting as a musical commemoration of the war. Many organisations would seek a similar level of co-ordination for this forthcoming centenary between groups involved in heritage and the arts, community groups across the country and the Government.

Mr David Burrowes (Enfield, Southgate) (Con): I congratulate my hon. Friend on securing this timely debate and on mentioning the work that the Imperial War museum does. Will he also pay tribute to the work that it does to build up a national inventory of war memorials? Does he share the concern about the fact that many a war memorial is, sadly, the victim of either neglect or vandalism? Will he join me in the campaign by the War Memorials Trust to have all war memorials registered by the time of the commemoration?

Damian Collins: I am grateful to my hon. Friend for that intervention, and I am happy to support that very worthwhile project. The television series produced by Ian Hislop, "Not Forgotten", was a good demonstration of the power of memorials, some of which had fallen into abeyance and loss. In two local projects in the villages of Lyminge and Sandgate, in my constituency, local people have decoded the war memorials, using new online materials to look up the stories of the servicemen who served in their own communities, for example, Walter Tull. He is named on the Folkestone war memorial and was the first person who was not a European white male to be commissioned into the British Army—he was commissioned in the field as a second lieutenant during the first world war. He also had the distinction of being the first black man to play in an outfield position in the English football leagues, and his story was really uncovered by a project run by the Dover War Memorial Project. It would be a wonderful way to mark the centenary of the outbreak of the war if similar projects could be launched across the country, perhaps supported by the Imperial War museum and the Department for Culture, Media and Sport, to give people toolkits to understand where their memorials are and the stories of the men that lie beyond them.

We are all familiar with the fact that although the men who served in that war have passed—indeed, many of their children are probably no longer with us—their

stories remain. Part of the Chamber in which we sit today is, in some ways, a memorial to the 20 Members of this House who lost their lives on active service during that war and the many others who saw active service. One of my predecessors as the Member of Parliament for the Folkestone and Hythe area, Sir Philip Sassoon, was on active service as an officer of the East Kent Regiment, which was known as "the Buffs" during the war, and he also led a lot of the local recruitment. Many other distinguished Members of this House served in that war too. As Members of Parliament, we too can think of a fitting commemoration for that centenary.

Today's conference at the Imperial War museum is also being attended by Ann Berry, a former mayor of Folkestone, who has worked closely with me on our own project in Folkestone, Step Short. It seeks to mark the recognition of Folkestone's role during the war. I wish to talk a little about that, because it is important to think of the centenary in terms not only of the sacrifices made by allied servicemen in the trenches on the western front and around the world, but of sites of significance in this country. Such sites were well understood in the years after the first world war, but, of course, memory has been lost.

My friend, Professor Nick Bosanquet, who has kindly joined us in the Public Gallery this evening, has, aside from his duties at Imperial college and with the Reform think-tank, also done work on the significance of UK sites—particularly Folkestone, which was the major port of embarkation and disembarkation for about 9 million men during the war, as well as sites in Gretna and Liverpool and of major munitions production as well as other sites around the country. It is important that those stories are not forgotten.

The anniversary of 1914 is in many ways the start of an important series of anniversaries: the outbreak of the first world war in 1914; for many in the Commonwealth and the UK, Gallipoli in 1915; the battle of the Somme in 1916; Passchendaele in 1917; and, of course, the Armistice in 1918. That theme was picked up by the Irish Taoiseach, Brian Cowen, in a recent speech he made to the institute for British-Irish studies. He said that in 2016 in particular—a significant date for Ireland—

"the centenary of the Somme will be commemorated here in Dublin, as in Belfast, to honour the heroism of those who fought and died there, Protestant and Catholic, side by side."

The centenary gives us a chance to remember and reflect. The significance of the first world war is great, not only because of the enormous loss of life on all sides but because that war shaped, in many ways, the politics of the 20th century and so much of the world in which we live today.

The centenary is a good way of uncovering the human story. I was very moved last week to attend a service at Shorncliffe military cemetery in my constituency on 1 July, which is Canada day. The Canadians had many thousands of men stationed in Folkestone during the war, 296 of whom are buried in the cemetery. After the war, the people of the town promised Canada that they would look after and maintain those graves. Every year, 296 schoolchildren from the constituency sit by individual graves with individual presentations of flowers that they make to the graves as part of a service of memorial. That links the town not only to the story of the first world war but to the lives of individual servicemen, too. That is a fitting act of memorial.

On the harbour arm of Folkestone harbour, there was a canteen maintained by Florence and Margaret Jeffrey. They ran the harbour canteen, dispensing free cups of tea and refreshments to men before the troops boarded. In the case of most people who have an ancestor who served in the first world war, that person would probably have passed through Folkestone in one way or another during that time. There is a record of 40,000 names collected in the visitors' books from those of general servicemen to those of people such as Field Marshall Haig, David Lloyd George and Winston Churchill who passed through the town. With the support of Kent county council, we have started a project to create a digital record of those names and to scan each of the pages of those books. We are looking to raise funds to have that as a resource that can be accessed online by people around the world who want to search for stories of their ancestors. It will record them as being in Folkestone on a particular time, place and day during that war.

Most of the men who were in Folkestone during the war would have assembled on the Leas, outside the Grand, which was a great society hotel in the period before the war. It was also the place where Wilfred Owen, the war poet, spent his last night in England. They would have been assembled and marched along the Leas, down a road that during the war was known as the Slope road, to the harbour before they embarked for the trenches of Belgium and France. For many of them, that would have been their last journey in England before they went to the trenches, not to return.

That is the significance of the UK sites. Hundreds and thousands of people every year make that pilgrimage themselves to walk in the footsteps of their ancestors in the battlefields. As a schoolboy doing my GCSE studies, I made that same journey, as many people studying history as part of the national curriculum and their GCSE courses will do today. To continue shamelessly to plug my constituency's heritage links, people can start those journeys and see part of them in this country, too, without making the trip to France. They can walk, as many men did, down the Leas in Folkestone and down the road that, after the war, was renamed the Road of Remembrance as a national memorial to the sacrifices made by those men—a walk down which many people could go, retracing their steps. There are elements of our heritage, particularly as regards the first world war, that have been lost and forgotten and anything that we can do to use the centenary to reconnect people with those stories and the sacrifices that so many millions of people made during that war would be excellent.

Will the Minister consider what support the Government could give? It need not necessarily be financial support, but could be support in co-ordinating a national day of remembrance to mark the centenary, perhaps with a national programme of events. They could work with the major galleries and museums and the regimental museums, particularly at sites with a strong interest, and, as my hon. Friend the Member for Enfield, Southgate (Mr Burrowes) has said, work in support of the memorials themselves. That would be a particularly fitting memorial.

I should also like to know whether the Government will consider marking a national day of remembrance, potentially in the form of a bank holiday or a part-bank

[Damian Collins]

holiday on the day of the centenary of the outbreak of the war. Might they consider having a permanent national bank holiday of remembrance, perhaps on Armistice day or a day of the week near to it, as other countries do? Australia and New Zealand have Anzac day as a national memorial day, and there are national memorial days in other countries, such as the United States. Perhaps it is time for us to consider making such a move, and the centenary of the first world war would be a fitting time to introduce such a national holiday or day of remembrance. If it could not be an additional holiday, perhaps there could be discussions about it replacing another bank holiday, as it might be a more fitting to have a bank holiday on that day.

So, although Adjournment debates involve closing the proceedings of the House, my intention was to start a debate among our colleagues and people around the country who have a great interest in the historical and community significance of the first world war about how we in the country and in the House should lead the country in marking that centenary.

Dr Julian Lewis (New Forest East) (Con): I congratulate my hon. Friend on raising this matter. He is absolutely right that there is huge interest in it, despite the long lapse of time. One reason for that is the availability of so much more information, including the online record of the Commonwealth War Graves Commission of every serviceman who lost his life in that disastrous war. Given that we spend so much time commemorating the events and triumphs of the second world war, is it not right that we should remember that twice as many were killed in the first world war as in the second, and in a smaller geographical area? So many of the political mistakes of the first world war paved the way for the second world war. Surely, therefore, we have to give it serious attention when the anniversary comes.

Damian Collins: I thank my hon. Friend for his meaningful contribution to the debate. He is absolutely right about the enormous significance of the war and that the far greater loss of life in that war is sometimes forgotten.

In some ways, the burden of memorial falls on new generations, which is why this is a particularly important challenge for the House. There are still alive today many service veterans from the second world war and many people who have vivid memories of that war, as was seen at the 70th anniversary of Dunkirk, which was marked last month. For the first world war, those memories are not there, so there is a greater challenge for this generation and new generations to continue celebrations when those events are so much further away. I want to mark that challenge with a nod to the huge canon of literature about the first world war. Let me adapt slightly Kipling's words in his lament for his son:

> "Then hold your head up all the more,
> This tide,
> And every tide;
> Because they were the sons Britain bore,
> And gave to that wind blowing and that tide!"

6.13 pm

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): May I say how nice it is to see you in your place, Mr Deputy Speaker? This is the first occasion on which I have been in the Chamber when you have been in your place.

I am grateful to my hon. Friend the Member for Folkestone and Hythe (Damian Collins) for drawing attention to the fact that in four short years we will be commemorating an important milestone in our nation's history—100 years since fighting broke out all over Europe that would rapidly plunge the world into its first world war.

I welcome my hon. Friend's arrival in Parliament. He succeeds the former leader of the Conservative party and a very great parliamentarian, Michael Howard—a man for whom I have huge respect and affection. I suspect that all Conservatives will echo that sentiment. I hope that my hon. Friend will emulate Michael Howard in many ways in the course of his career, especially after dark. Perhaps he, too, will become the leader of the party and the Home Secretary, and perhaps he, too, will hold many other of the great offices that Michael Howard held.

I was interested to see what my hon. Friend made of his victory on 6 May. Soon after the general election he wrote an article in *The Romney Marsh Times*, which I assure him is weekly reading for me. He described a mixture of gratitude—something we all feel—weight of responsibility for the trust placed in him and a keen sense of anticipation for the work ahead. He related a memorable encounter on election day when a woman outside the New Romney scout hall told him:

> "We voted for you, now go and change the world for us".

My hon. Friend wrote:

> "Changing the world is the responsibility of all new MPs, to use our position not only to champion the interests of our community in Parliament, but also to support policies that can change our society, and ultimately our world."

I am delighted to hear a new MP elucidating such noble principles; they are the principles that should drive all of us to enter Parliament, and certainly drove my hon. Friend's predecessor, Michael Howard.

The first world war certainly changed our world, so it is fitting that we are discussing those historic events and plans to mark them so early in the new Parliament. As an historian, I shall touch briefly on some of the chronology of the calamitous events during the apparently glorious summer of 1914 that were to lead irrevocably to war.

On 28 June, Archduke Franz Ferdinand of Austria, heir to the Austro-Hungarian empire, was assassinated in Sarajevo by Serbian nationalists. He was on his way to a hospital to visit attendants who had been injured by an anarchist bomb—something we see often in not always terribly funny sketches—thrown at his car earlier that day in a failed attempt to kill him. On the way to the hospital, the driver took a wrong turn. When he realised his mistake he began to reverse, but another Serbian nationalist, Gavrilo Princip, stepped forward and fired two shots. The first killed the archduke's pregnant wife, Sophie, almost instantly, and the second hit the archduke in

the neck, and he died a short while later. So much trouble after taking a wrong turn and then making a U-turn; it is not a joking matter, but it could be a lesson to us all.

Exactly a month later, on 28 July, Austria-Hungary declared war on Serbia and events moved quickly. On 1 August, the French and Germans mobilised and Germany declared war against Russia. On 3 August, Germany declared war on France and broke the 1839 treaty of London by invading Belgium on 4 August. As a result, later that day the British Cabinet voted almost unanimously to declare war.

The Foreign Secretary, Sir Edward Grey, memorably said as he stood at the window of the Foreign Office, across the road from his house, watching the lamps being lit as dusk approached:

"The lamps are going out all over Europe: we shall not see them lit again in our time."

In fact, he and the nation would see the lamps lit again, but the intervening slaughter was unimaginable.

Fatalities in the British imperial forces alone totalled more than 1 million, with more than 2 million wounded. Overall, it is reckoned that by the time the first world war ended in November 1918 it had caused 37 million casualties, military and civilian, of whom about 16 million were fatalities. As my hon. Friends the Members for Folkestone and Hythe and for New Forest East (Dr Lewis) have pointed out, it was not the war to end all wars, but its scale robbed this country of a generation of young men.

Each year since, at the 11th hour of the 11th day of the 11th month, those who served in the great war and the generations who followed have stood in silent respect for the sacrifice. On the 50th anniversary of the start of the great war, in 1964, the BBC produced a majestic documentary series, "The Great War", which was a small-screen alternative to tributes in stone and bronze. Some of us, including I suspect my hon. Friend the Member for New Forest East, watched those programmes. It was a brilliant series, made in black and white, and I suspect that the BBC will sensibly re-release it in four years' time.

Many of those who served in the first world war were able to return to northern France and Belgium to pay their respects to their fallen comrades. Alas, as we know, the last active UK combatants in the great war passed away last year so there will be no further trips for those who fought in the first world war.

My hon. Friend the Member for Folkestone and Hythe talked about plans to mark the centenary. The Government have no specific plans to do so. However, my hon. Friend will understand that I speak as a Defence Minister and now, because everybody who served is dead, we view the first world war as a historic, heritage event, so we shall talk to the Department for Culture, Media and Sport and the museums my hon. Friend mentioned to see what plans they may have.

It remains, in my opinion, hugely important to remember the sacrifices that were made in the great war. It affected the whole country—every family, almost without exception. Certainly I suspect that hon. Members present will have family members who died in the first world war. My mother's uncle was killed on the Somme, my father's uncle was killed at Gallipoli, and many other members of my family, as was the case with every family, served in the first world war.

As we did with the 90th anniversary of the Armistice in 2008 when our last three serving personnel, Henry Allingham, Harry Patch and Bill Stone, laid wreaths in a poignant ceremony at the Cenotaph, we will certainly remember in 2014 with great poignancy the 100th anniversary. Twelve months after that commemoration of the 90th anniversary, we remembered the passing of the entire world war one generation in a service in Westminster abbey attended by the Queen—that was last year. Our children, and their children, who have grown up without the threat or shadow of world war, need to be taught how the freedoms they take for granted were won, and at such heavy cost. I would say to my hon. Friend that I think more than anything else this centenary should be one of education—education in schools, and with everybody taking part, so that nobody forgets.

We will be discussing with colleagues across Whitehall, particularly in DCMS, how the centenary may be commemorated, and we will work with other interested parties, such as the Imperial War museum, to develop a co-ordinated approach to ensure that the centenary is given the highest possible profile. My hon. Friend mentioned the meeting today at the Imperial War museum, and I understand it is prepared to lead the national commemoration of the centenary of 1914 and has already appointed a programme manager. It will create digital resources for education and ensure that all events, activities and exhibitions relating to the centenary achieve the highest possible profile. Forty-five organisations attended the conference today, and more are now expected to join.

There is also a need to recognise the significance of the first world war globally, because it was, obviously, a world war. The Imperial War museum is establishing a series of international collaborations with organisations such as the Smithsonian and Les Invalides. We will of course do likewise with our international partners. The UK Government and our partners are well used to marking such important occasions. Traditionally in Britain, we mark the end of a conflict, but we understand the historic significance of this centenary and the additional poignancy and we expect that to be reflected in widespread media and public interest.

I thank my hon. Friend the Member for Folkestone and Hythe for the suggestions that he has made. I say to my hon. Friend the Member for Enfield, Southgate (Mr Burrowes) that I am a great believer in keeping up war memorials, so that we do remember and do not forget. My hon. Friend the Member for New Forest East made some very sensible points about the second and first world wars.

I am quite a believer in bank holidays—frankly, the more the merrier—but I do not think it would be appropriate to press for an additional bank holiday to commemorate the first world war, given that the day in 1914 ultimately resulted in millions being sent to their deaths and millions more injured. We will look at the other suggestions that my hon. Friend the Member for Folkestone and Hythe made closely, and plans are emerging to commemorate this important and sombre event in a fitting way, although precisely what form it will take we cannot yet say.

[Mr Andrew Robathan]

I can say this, however, and I say it from the heart. We will not forget the duty we have as a nation to commemorate properly all those who fought in the great war, and to reflect on the sacrifice that they were prepared to make. If for no other reason, younger generations and generations to follow must never forget what their forefathers did on their behalf, in the hope that younger generations are spared the horrors that our fathers' and grandfathers' generations endured.

Question put and agreed to.

6.24 pm

House adjourned.

House of Commons

Monday 12 July 2010

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Helen Jones (Warrington North) (Lab): On a point of order, Mr Speaker.

Mr Speaker: Order. It would not be a point of order, now, I am afraid.

Oral Answers to Questions

EDUCATION

The Secretary of State was asked—

Building Schools for the Future Programme

1. **Philip Davies** (Shipley) (Con): For what reasons he has ended the Building Schools for the Future programme for Ilkley and Bingley grammar schools. [6956]

The Secretary of State for Education (Michael Gove): As I set out in my statement last week, the Building Schools for the Future programme has been over-bureaucratic and inefficient. I therefore decided that where financial close had not been reached, future projects provided under BSF could not go ahead. Ilkley and Bingley grammar school projects have not reached financial close, and BSF plans for those two schools have therefore stopped. However, we will continue to invest in schools capital projects.

Philip Davies (Shipley) (Con): In the catchment areas for both Ilkley and Bingley grammar schools, there has been excessive house building, so there is no longer sufficient capacity on their existing sites to meet local demand. Can my right hon. Friend ensure that those schools that need new build to increase capacity to meet local demand will still receive capital expenditure?

Michael Gove: I very much take the point made by my hon. Friend. One of the defects of the BSF scheme was that, in many parts of the country where there was real need as a result of a growing population, the money was not there to provide new school places. As a result of our capital review, we will ensure that where there is additional population pressure and additional basic need, particularly in primary schools, which BSF did not cover, we will provide the support that is necessary. I look forward to working with my hon. Friend to help the parents and teachers in those two great schools.

Ed Balls (Morley and Outwood) (Lab/Co-op): For parents, children and teachers in Ilkley and Bingley, the initial shock of learning that their new school building has been cancelled will have turned to outrage at the seemingly arbitrary and chaotic way in which the Secretary of State has made and announced his decisions. The right hon. Gentleman must now know that there is widespread anger in all parts of the House. Following weekend reports that he was advised by his officials not to publish a list of schools at all, I wrote to him yesterday to request answers in advance of today's oral questions. I have received a reply that does not answer any of my questions: it merely attaches a new list—list No. 5—containing 20 additional cancelled schools compared with a week ago.

I shall ask the right hon. Gentleman for a straight answer to a specific question. Did he at any point receive written or oral advice from departmental officials or Partnerships for Schools urging him not to publish a list of schools until after he had consulted local authorities, to make sure that his criteria were sound and his facts were right?

Michael Gove: The right hon. Gentleman says that there was anger across the House. There was—at the way in which the BSF project had been run by the right hon. Gentleman. There was justifiable anger at the way in which a project that was originally supposed to cost £45 billion ended up costing £55 billion, and it was shared by those who were shocked that under the previous Government, one individual received £1.35 million in consultancy fees—money that should have gone to the front line. From the moment that I took office, everyone involved in this process said to me, "Make sure that you ensure that this faltering and failing project ends." That is what I have done. I inherited a mess from the right hon. Gentleman, and we are clearing it up.

Several hon. Members *rose—*

Mr Speaker: Order. Both the Secretary of State and the shadow Secretary of State have had their say, and I know that we will now want to return to Ilkley and Bingley.

Ed Balls: The right hon. Gentleman cannot give a straight answer to a straight question. The people of Bingley and Ilkley will not be satisfied by that answer, and nor are we. Interestingly, his letter today says very clearly that his fifth list has been validated by local authorities—presumably a clear admission that the information should have been validated before the list was published in the first place, including by Bradford authority, in which the schools of Bingley and Ilkley are situated.

Let me ask the right hon. Gentleman another straight question. Is it not the case that he was advised of the risk of legal challenge from private contractors, but that he personally decided to ignore that advice and take that risk with taxpayers' money? That is a very simple question. We all know that he is on shaky ground, and that he is fast losing the confidence of pupils, parents and teachers. If he had any sense, he would end this shambles, withdraw these error-strewn lists, and let our communities have new schools.

Michael Gove: I am grateful to the right hon. Gentleman for once again stretching so far the geographical definition of Bingley and Ilkley. Let me point out that under him the cost of setting up the procurement vehicle for Building Schools for the Future was £10 million, before a single brick was laid. The taxpayers of Bingley and Ilkley have

re-elected a Conservative MP because they are disgusted with the waste and squander of the right hon. Gentleman. There is a dividing line between this side of the House and that side of the House: when mistakes are made, we apologise and we take responsibility. The right hon. Gentleman has never apologised for a single mistake in his life; that is why he is on that side of the House and we are on this side of the House clearing up his mess.

Several hon. Members *rose—*

Mr Speaker: Order. I want to help the House. I appreciate the enormous interest in the subject of BSF in Ilkley and Bingley—conceivably also elsewhere—and there will be opportunities, if Members look, to raise these matters later.

Academy Status

3. **Julian Smith** (Skipton and Ripon) (Con): How many expressions of interest in academy status have been received from schools in (a) Skipton and Ripon constituency and (b) North Yorkshire. [6958]

The Minister of State, Department for Education (Mr Nick Gibb): So far five expressions of interest in academy status have been received from schools in Skipton and Ripon. Fifteen expressions of interest have been received from schools in North Yorkshire.

Julian Smith: Does the Minister agree that schools with foundation trust status should be given credit for the work they have already done in moving along the path to independence, and can their path to academy status therefore be made slightly easier?

Mr Gibb: May I welcome my hon. Friend to the House and congratulate him on his election? I understand his point. Trust status was a useful form of independence, which is why it surprises me that Labour Members are so critical of our moves to boost the academies programme and to give more schools the independence and the trust in professionals that is inherent in the trust school system. Our concern about the trust school basis is that it did not give sufficient freedoms to schools; we want to ensure that schools have those extra freedoms.

Tristram Hunt (Stoke-on-Trent Central) (Lab) *rose—*

Toby Perkins (Chesterfield) (Lab) *rose—*

Mr Speaker: Order. May I gently say to Members that Stoke-on-Trent and Chesterfield are a considerable distance from Skipton and Ripon and, more widely, North Yorkshire? This is what we call a closed question, I am afraid.

Poor Families (Assistance)

4. **Esther McVey** (Wirral West) (Con): What steps his Department is taking through the education system to assist children from poor families. [6959]

The Minister of State, Department for Education (Sarah Teather): We have made a clear commitment to narrowing attainment gaps between children from disadvantaged backgrounds and their peers through our recently announced pupil premium. This will help us to give more support to the children who are most disadvantaged and who need it most, and to their schools. We will announce more details of our proposals in due course.

Esther McVey: I would like to push the Secretary of State for greater details on the pupil premium and on where the extra funds will be allocated.

Sarah Teather: I thank my hon. Friend for promoting me, but it is a little premature.

We will be announcing more information about the pupil premium in due course. However, to quote the Prime Minister, it will involve a "substantial" extra sum from outside the education budget. We are determined, in particular, to tackle the pockets of deprivation that have not been dealt with by other forms of deprivation funding, ensuring that the funding follows the students and that schools then have the freedom to decide how best to spend the money.

Mr Tom Watson (West Bromwich East) (Lab): Sandwell is home to some of the poorest families in the country. Last week, officials confirmed that school cuts in the borough were made because the outline business case for their wave 5 bid was not signed off until after 1 January. Can the Minister confirm that no school that retained funding missed that deadline? Does she think that the criteria used for the funding is fair given that children in Labour-controlled Sandwell lose £140 million of support while those in the neighbouring borough, Conservative Wolverhampton, gain £360 million?

Sarah Teather: I appreciate the particular difficulties with Sandwell. However, I remind the hon. Gentleman that BSF was set up by his Government, and it is because of the slowness and inefficiency of BSF that schools in Sandwell were so late in getting anything from the bid at all.

Mr Graham Stuart (Beverley and Holderness) (Con): Children from poorer areas of Hull have rightly had additional funds come to their local authority to help with their education. However, when those children travelled across the border to be educated in East Riding, the money that was given to support their education in Hull did not follow them. Ministers in the previous Administration, despite repeated representations, refused to make that change. Will the pupil premium follow the child wherever they go to school?

Sarah Teather: The hon. Gentleman makes a very good point. It is precisely for that reason that we need a funding system that follows the student and reflects their individual needs. We see widely varying levels of deprivation funding from one area to another.

Helen Jones (Warrington North) (Lab): Does the hon. Lady believe that cancelling new schools in the most deprived areas of my constituency will assist poor children with their education? Did she have any discussions with Warrington borough council about deprivation in the borough before cancelling those building projects?

Sarah Teather: Simply because some projects under BSF have been cancelled does not mean that schools will not be rebuilt or renovated in the future. That is precisely the reason why the capital review is happening—to ensure that we have enough money to rebuild and

renovate schools in the future. Unfortunately, BSF is such an inefficient way of doing that that there would not have been any money left.

Child Protection

5. **Laura Sandys** (South Thanet) (Con): What progress has been made on the Munro review of child protection; and if he will make a statement. [6960]

The Parliamentary Under-Secretary of State for Education (Tim Loughton): Professor Munro's review, which was launched on 10 June, appointed a top-level reference group to advise her. It met for the first time on 6 July. Professor Munro has issued a call for evidence with a 30 July deadline. We have asked her to report in three stages, the final report being in April 2011. The review has come about because the system of child protection in our country is still not working as it should be, despite the immense dedication and hard work of front-line professionals.

Laura Sandys: Does the Secretary of State agree with me and many children's charities that out-of-area placements for children taken into care should be considered only in extreme circumstances?

Tim Loughton: I, too, am grateful for the promotion.

I know that my hon. Friend has already established her credentials in this matter. She will be pleased to know that as part of the care planning guidance that came out of the Children and Young Persons Act 2008, which we supported, a new sufficiency duty will come into effect from next April, which should lead to a significant drop in the number of children placed far away from their original homes. I know that that is a particular problem in her constituency, as it is in mine and those of other hon. Members with seaside constituencies in particular.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): Would the Minister be concerned if, as a result of the review of the role of the Children's Commissioner that I understand has been announced, more children who are in care because of abuse were put at risk because no one was there to stand up for their interests? Will he confirm that there will be no dismantling of the office of the Children's Commissioner prior to the completion of the review that he has referred to and the implementation of its recommendations?

Tim Loughton: The hon. Lady makes a point about the review of the role of the Children's Commissioner and her office, which is quite separate from the Eileen Munro review. I share her concerns about the rights of children in care, and she will be aware that the children's rights director has a direct role in that matter, which he has carried out with enormous respect over recent years, ensuring that the concerns and voices of children in care are heard loud and clear.

Public Spending

6. **Mary Creagh** (Wakefield) (Lab): Pursuant to the written ministerial statement of 5 July 2010, *Official Report*, columns 1-2WS, on public spending control, how much of the £1 billion of reductions in his Department's expenditure in 2010-11 will take effect in (a) Wakefield constituency and (b) West Yorkshire. [6961]

The Secretary of State for Education (Michael Gove): The budgets that will be affected were published on the Department's website on Monday 5 July. We will shortly write to all local authorities setting out the impact on their allocations.

Mary Creagh: I thank the right hon. Gentleman for that reply, but the promises of rebuilding and repairing schools ring a little hollow in the light of the £1 billion cut to the schools capital programme that he is making in-year. Given that almost a third of the financial year has passed and he has not yet written to Wakefield or any other West Yorkshire authority with the details of how much will be cut from their reparation programmes, is his cut not in effect more like £1.3 billion or £1.5 billion, as the cuts will have to be made in-year?

Michael Gove: I am grateful to the hon. Lady for her question, but I refer her to a letter from the permanent secretary of my Department to the right hon. Member for Morley and Outwood (Ed Balls). He pointed out last week that, last year, the Treasury wrote to clarify its expectations of the use of end-year flexibility capital. The Treasury wanted to limit its use, but the Department refused to acknowledge it. The Treasury said clearly to the right hon. Gentleman that he was playing fast and loose with that capital stream. The issue had not been resolved by the time of the election, and instead of the dysfunctional relationship between the right hon. Gentleman and the Treasury, we now have a proper relationship involving a coalition Government who are clearing up the mess that we inherited from the hon. Lady's Government.

Mr Iain Wright (Hartlepool) (Lab): Why was not a single word about that further £1 billion cut in education mentioned in the Secretary of State's oral statement to the House last week? Will he confirm that the additional cuts in education, at the expense of hundreds of thousands of pupils in Wakefield, West Yorkshire and elsewhere, are being made so that he can open free market schools for the benefit of mere hundreds of pupils?

Michael Gove: I am grateful to the hon. Gentleman, but he made two mistakes in his question. First, in my statement to the House last week, I explicitly mentioned that the right hon. Member for Morley and Outwood had abused end-year flexibility. That is why he was kind enough to write to me, and why the permanent secretary was kind enough to write to put the record straight and to explain that the Treasury was in dispute with the right hon. Gentleman—not for the first, nor, I suspect, the last time. The hon. Gentleman's other mistake is over the fact that the reduction in the—to my mind—unwarranted exploitation of end-year flexibility has been to restore sanity to the public finances after the mess that the right hon. Gentleman created. The capital allocation for our free schools is just £50 million, and it comes from a lower priority set of IT programmes. The permanent secretary makes it clear in his letter that the previous Government left us in a mess, which we are trying to resolve.

Free School Meals

7. **Amber Rudd** (Hastings and Rye) (Con): What assessment he has made of the educational achievement of pupils in receipt of free school meals in (a) Hastings and (b) England. [6962]

The Minister of State, Department for Education (Sarah Teather): Information is published on an annual basis on the performance of all pupils, including those eligible for free school meals, and it can be accessed on the Department's website. We have made a clear commitment to narrowing attainment gaps between children from disadvantaged backgrounds and their peers through the pupil premium. We will announce more details of our proposals in due course.

Amber Rudd: I thank the Minister for that answer. Will she confirm that the children who are eligible for free school meals will qualify for the pupil premium? Those who have high numbers of children on free school meals in our constituencies, as I do in Hastings, are looking forward to having that advantage to help our children do well.

Sarah Teather: We are looking at the best measure to ensure that we can target extra money at students. It is a question of ensuring that we have a system that is attached to the child, the child's background and the particular school. We will be able to say more about that shortly. However, we are clear that extra money will follow the student.

Emma Reynolds (Wolverhampton North East) (Lab): Thanks to the previous Labour Government, a further 8,000 pupils in Wolverhampton now benefit from free school meals. As somebody who benefited from free school meals, I know that there is a link between nutrition and the ability of pupils from lower income families to do better at school. Does the Minister acknowledge that link, and will she extend the pilot scheme in Wolverhampton and roll it out throughout the country?

Sarah Teather: I recognise the link, and I agree with the hon. Lady. However, we are in difficult financial circumstances and unfortunately we were unable to extend free school meals simply because it was an unfunded pledge. However, I recognise the hon. Lady's point, which was well made.

Chris Skidmore (Kingswood) (Con): After 13 years of the previous Government, only 75 free school meals pupils gained three As at A-level. That is a disgrace. What do the Government propose to do about it?

Sarah Teather: I agree with my hon. Friend that it is a scandal that, after 13 years of a Labour Government, the greatest predictor of achievement at school is still parents' income. That is precisely why the coalition is so committed to introducing a pupil premium and investing in early years. It is also why the Prime Minister appointed the right hon. Member for Birkenhead (Mr Field) to conduct a review of life chances.

Diana R. Johnson (Kingston upon Hull North) (Lab): The publication last week of figures showing, contrary to claims by the Health Secretary, the biggest increase in the take-up of school meals, proves that Labour's policy on school food worked. The work of people such as Jamie Oliver was also successful. Does the Minister wish to reconsider the coalition's reversal of those successful policies, as the Government let the junk food industry call the tune and snatch free healthy school meals from the poorest half million children in England?

Sarah Teather: I think that Jamie Oliver did the nation a great service in raising the issue of standards in school food, but the next stage is for the Government to take forward, particularly on take-up. I was pleased that take-up of school meals has increased, but there is a lot more work to do.

School Discipline

8. **Margot James** (Stourbridge) (Con): What his most recent assessment is of the level of discipline in schools. [6963]

The Minister of State, Department for Education (Mr Nick Gibb): The latest Ofsted reports tell us that in 95% of primary schools and 80% of secondary schools inspected in 2008-09 pupils' behaviour was good or outstanding, but that means that behaviour in one out of five secondary schools is still no better than satisfactory. To address this, I announced to the House on 7 July a series of measures that will give head teachers and teachers the powers they need to ensure discipline in the classroom and to promote good behaviour.

Margot James: I thank my hon. Friend for his answer. Two teachers from a primary school came to my surgery in despair over school discipline. They and others have advised me that schools are deterred from excluding pupils because they believe that doing so would have a negative impact on their Ofsted score and budgets. Does he agree that discipline and a head teacher's ability to exclude pupils is being undermined by that and other aspects of schools policy that prevailed under the previous Government?

Mr Gibb: I thank my hon. Friend for that question. I welcome her to the House and congratulate her on her election. She is right: head teacher authority must be absolute in the classroom and we will remove deterrents that may prevent schools from properly exercising their powers to exclude pupils. The vast majority of head teachers intervene early to prevent exclusions becoming necessary, but when they are necessary we need to be sure that any deterrent is removed.

Academy Status

9. **Mr Marcus Jones** (Nuneaton) (Con): How many expressions of interest in academy status his Department has received from schools in (a) Nuneaton constituency, (b) Warwickshire and (c) England. [6964]

The Secretary of State for Education (Michael Gove): So far, 15 expressions of interest have been received from schools in Warwickshire, including one from an outstanding school in Nuneaton. A total of 1,836 expressions of interest have been received from schools in England.

Mr Jones: I thank my right hon. Friend for his reply. Several schools in my constituency may wish to become academies. However, after 13 years of the previous Government, they are carrying a tremendous amount of debt, which seems to prevent them from doing so. Will he consider what he can do to make it easier for such schools to become academies?

Michael Gove: I sympathise with my hon. Friend, who was so handsomely elected at the last general election—a fact that reflects how angry people in Nuneaton and across Warwickshire were at the scandalous way in which education was underfunded and managed by the previous Government. Let me assure him that I look forward to working with him and the local authority to ensure that the many outstanding schools and teachers in Warwickshire have the chance to enjoy the benefits of academies.

Vernon Coaker (Gedling) (Lab): We know that the Secretary of State has had one or two problems with lists of schools in recent days. Is he aware that he has listed a number of schools almost as if they have applied to become academies, when all they have done is request information from his Department? Is he also aware of the comments of people such as Mark Lacey, head teacher of Parson Street primary in Bedminster, who said:

"We responded out of a desire to receive the information in order to keep up with what is happening—not because we want to become an Academy"?

Is that not another inaccurate list that the Secretary of State should now withdraw, just like the inaccurate remark he made earlier? As he will know, the letter from the permanent secretary actually corrected his mistakes, not the mistakes of my right hon. Friend the Member for Morley and Outwood (Ed Balls).

Michael Gove: I am grateful for that "two for the price of one" question from the shadow Minister. The letter from the permanent secretary actually did correct the errors of the right hon. Member for Morley and Outwood. On the question of lists, as I said in my earlier answer, there were 1,836 expressions of interest. As the hon. Gentleman should know, being a former teacher, it is vitally important for people to listen in class before they put their hands up.

Local Education Partnerships

10. **Charlotte Leslie** (Bristol North West) (Con): What assessment he has made of the effectiveness of local education partnerships; and if he will make a statement. [6965]

The Secretary of State for Education (Michael Gove): As I set out in my statement to the House last week, local education partnerships are part of an over-bureaucratic and inefficient procurement model. The capital review that I announced last week will consider alternatives to ensure that, at last, capital spending achieves value for money, raises standards, and actually helps the most disadvantaged.

Charlotte Leslie: I have raised concerns about the local education partnership in my constituency in relation to the project with Elmlea school. Essentially, money has been snatched from children and schools to line the pockets of contractors and consultants. I am sure that Opposition Members will share my concern about that. Will my right hon. Friend promise to stop this terrible reverse Robin Hood approach to public spending?

Michael Gove: I could not agree more with my hon. Friend. There is a dividing line between this side of the House and that one. As far as the Opposition are concerned, a Building Schools for the Future programme that enriches consultants and ensures that one man can earn £1.35 million is defensible, whereas we believe that that money should be going to the front line to ensure that the most dilapidated schools are repaired as quickly as possible. It is the contrast between a Government who wasted money like there was no tomorrow and a Government here at last who are building a better tomorrow for all our children.

Fiona Mactaggart (Slough) (Lab): In that capital spending programme, will money be reserved for areas such as Slough, which has a rapidly growing school population and insufficient secondary school places to educate the children?

Michael Gove: I sympathise with the hon. Lady and she is right. One of the reasons why we had to halt the Building Schools for the Future programme was that far too much money was being wasted inefficiently on secondary schools when that money is needed to ensure that children who arrive at primary school in Slough, the south-east and across the country receive the classrooms that they need. Our first priority is ensuring that every child who needs it has a good school place, instead of ensuring that money goes to consultants, architects and the others in receipt of the cash that was being funnelled to them by the right hon. Member for Morley and Outwood (Ed Balls).

Mr John Redwood (Wokingham) (Con): Does the Secretary of State accept that many of us, and many people outside, would love these quangos that cannot count and cannot provide accurate lists to be abolished, saving the money on salaries to spend on bricks and mortar?

Michael Gove: My right hon. Friend, as ever, is a redoubtable scourge of waste, and it is always a pleasure to hear him as he turns his eye to yet another non-departmental public body.

Ed Balls (Morley and Outwood) (Lab/Co-op): The letter from the Secretary of State, which was published at 2.35—the fifth list—refers to local education partnerships. It will be no surprise to the House to learn that already, within 25 minutes, the first mistake in this list has been found. The right hon. Gentleman referred earlier to past mistakes and the SATS fiasco. In that case, there was an independent inquiry. If he would like to establish an independent inquiry now into the BSF shambles, he would not find it easy to repeat his failure to answer questions in this House. Is not the truth that he should withdraw this list, apologise to local education partnerships and stop treating children and this House with such total contempt?

Michael Gove: I am grateful once more to the right hon. Gentleman for his question. I would welcome an inquiry into just what went wrong with Building Schools

for the Future and Partnerships for Schools under the previous Government. The Chairman of the Public Accounts Committee pointed out in February 2009 that the estimates of progress for which the right hon. Gentleman's Government were responsible were fanciful, but steps were not taken to ensure that we were moving in the right direction. The list that we have issued today is one that has been verified by Partnerships for Schools and by the Department for Education. The most important thing that we need to ensure is that the waste that characterised the previous Government does not characterise this one. That is why we have taken steps to ensure that in future the public money that should be going to the front line is protected. The mess that the right hon. Gentleman and his team created is being cleared up by this Government—these two parties—who are at last acting in the public interest.

Academy Status

11. **Tracey Crouch** (Chatham and Aylesford) (Con): How many expressions of interest in academy status his Department has received from schools in the Kent and Medway local authority area. [6966]

The Minister of State, Department for Education (Mr Nick Gibb): Ninety-five expressions of interest in academy status have been received from schools in Kent, and nine expressions of interest have been received from schools in Medway.

Tracey Crouch: I thank the Minister for his reply, and I am sure that he will be reassured to hear that many of the head teachers I have spoken to are genuinely very enthusiastic about the programme. The Minister will be aware that many of the schools in Kent and Medway that have expressed an interest are grammar schools. Can he assure the House that if they were to become academies they would retain their selective status?

Mr Gibb: I am happy to give my hon. Friend that assurance.

Early-years Provision

12. **Damian Hinds** (East Hampshire) (Con): What steps he is taking to reform early-years provision. [6967]

The Minister of State, Department for Education (Sarah Teather): Last week, the Government asked Dame Clare Tickell, chief executive of Action for Children, to carry out an independent review of the early years foundation stage to consider how the framework could be less bureaucratic and more focused on young children's learning and development. The review will formally start in September this year, and will report in spring 2011. It is our intention to undertake a full consultation before any changes are implemented. A statement has been placed in the House outlining further details of the scope of the review.

Damian Hinds: We all want to see the very highest standards promoted in pre-schooling, but does the Minister agree that the over-prescriptive, box-ticking approach favoured by the previous Government is likely only to stifle the sector and reduce parental choice?

Sarah Teather: Indeed. This is a question of building on some of the good things about the foundation stage, but ensuring that we can reduce the burden on the sector, and particularly on the smaller providers. In fact, I was in a nursery school in Brent on Friday, and the head teacher said to me that she was grateful that we had begun a review of the foundation stage, because although there were many good things about it, the assessment is bureaucratic and she was hoping for something rather better.

Mr Gerry Sutcliffe (Bradford South) (Lab): Can the Minister explain why my constituents in Bradford should trust what this coalition Government say on education? We have lost Building Schools for the Future and the free school meals pilot, and we have an education authority that needs to be developed because of the failure of the private sector. Can the Minister tell us that Sure Start in particular will remain a key part of early years provision?

Sarah Teather: The current review of the foundation stage is independent, and we have asked Dame Clare Tickell—who I am sure would command respect right across the House—to conduct it.

Funding (Hexham)

13. **Guy Opperman** (Hexham) (Con): What recent representations he has received on funding for schools in Hexham constituency; and if he will make a statement. [6968]

The Parliamentary Under-Secretary of State for Education (Tim Loughton): We have received just one representation on the subject of school funding from a school in Hexham. We will bring forward our proposals for school funding in due course.

Guy Opperman: Schools in the Hexham constituency in rural Northumberland all complain of a funding shortfall that was dramatic under the previous Government. What assurances will the Minister give me and the teachers in that particular school that this imbalance will be changed?

Tim Loughton: I am only too well aware of many of the discrepancies in the system that prevailed for far too many years under the previous Government. I am aware that Hexham middle school in my hon. Friend's constituency has raised concerns about problems in tackling rural deprivation and sparsity of population that have not been dealt with in the past. That is one area that we will be looking at, and the pupil premium will be a priority in ensuring that we recognise deprivation and have effective measures to deal with it.

Professional Development (Teachers)

14. **Mr Barry Sheerman** (Huddersfield) (Lab/Co-op): What steps he is taking to ensure availability of continuing professional development for teachers. [6969]

Mr Speaker: Minister—any Minister.

The Parliamentary Under-Secretary of State for Education (Tim Loughton): I am sorry, Mr Speaker—*[Interruption.]*

Mr Speaker: Order. I do not need to be advised by the Government Whip on the Front Bench. The hon. Member for Rochford and Southend East (James Duddridge) should remain quiet. We are on Question 14 and we have a Minister at the Box; I require no advice from the hon. Gentleman whatever.

Tim Loughton: Thank you, Mr Speaker. I was expecting some interest in Hexham from the Opposition, but clearly there is none.

I agree with the hon. Member for Huddersfield (Mr Sheerman) that the quality of teachers and professional development is important. International evidence shows that teachers learn from observing good teachers, and this happens best in schools. That is why the Government are committed to encouraging schools to demonstrate a strong culture of continuing professional development, with teachers leading their own development and that of others, and sharing effective practice within and between schools. That is why we are currently reviewing our policies and existing activities to ensure that they focus on that vision.

Mr Sheerman: Is the hon. Gentleman aware that teachers are finding it much more difficult to get out of the classroom to go to good CPD sessions, particularly in places such as the science learning centres in York and elsewhere, because of the way in which the "rarely cover" provision is being interpreted as part of the work force agreement? Not only is CPD suffering; so are kids' visits to out-of-school facilities.

Tim Loughton: The hon. Gentleman makes a good point. I am aware of the limiting factors of "rarely cover", which is an area that we will look at in our assessment of the problems facing teachers in getting continuing professional development. Having to pay supply teachers can be an obstacle to getting CPD, which is why this Government want to free up school pay and conditions and give greater powers back to heads to ensure that they can devise the best methods for ensuring that their teachers get the best continuous professional development and training.

Free School Meals

15. **Stephen Gilbert** (St Austell and Newquay) (LD): What assessment he has made of the educational achievement of pupils in receipt of free school meals in St Austell and Newquay constituency. [6970]

The Minister of State, Department for Education (Sarah Teather): Information is published on an annual basis on the performance of all pupils, including those eligible for free school meals, and these can be accessed on the Department's website. We have made a clear commitment to narrowing attainment gaps between children from disadvantaged backgrounds and their peers through the pupil premium, and we will announce more details on these proposals in due course.

Stephen Gilbert: Children across the country who are in receipt of free school meals are only half as likely as their peers to get good GCSE results. Does the Minister agree with me that only the pupil premium proposed by this Government will address the educational inequality left by the previous Government?

Sarah Teather: I absolutely agree. The scandal of educational inequality left by the previous Government is testament to their legacy, and I am very sad that they have not been willing to support the pupil premium. I hope that, with their change of leader, they will consider a U-turn on this policy.

Glenda Jackson (Hampstead and Kilburn) (Lab) *rose*—

Mr Speaker: Order. It is always a pleasure to hear the hon. Lady, but I must observe in passing that Hampstead and Kilburn are some considerable distance from St Austell and Newquay.

Teachers Pay (Wales)

16. **Hywel Williams** (Arfon) (PC): What recent discussions he has had with Welsh Assembly Government Ministers on teachers' pay in Wales. [6971]

The Secretary of State for Education (Michael Gove): I met the Minister for Children, Education and Lifelong Learning in the Welsh Executive, Mr Leighton Andrews, on 28 June, as part of a schedule of meetings since taking up my post. I look forward to having an ongoing discussion with him and his colleagues on this and other important issues.

Hywel Williams: I thank the Secretary of State for that answer. What consideration is he giving to introducing regional variation in teachers' pay outside London?

Michael Gove: As I am sure the hon. Gentleman knows, teachers' pay and conditions are set by the School Teachers Review Body, which governs England and Wales. I will have ongoing discussions with the Welsh Assembly Government, and it is important that we ensure that teachers have certainty in the future. It is my understanding that the current arrangements are working in the interests of teaching unions and teachers across England and Wales, but I would be very happy to receive any representations from the hon. Gentleman to ensure that the recruitment and retention of teachers in his constituency—in a very beautiful part of north-west Wales—are made as easy as possible.

Academies Bill

17. **Barry Gardiner** (Brent North) (Lab): What recent representations he has received on the provisions of the Academies Bill; and if he will make a statement. [6972]

The Secretary of State for Education (Michael Gove): Many schools have told us that they welcome the opportunity to acquire academy freedoms through our Bill. Officials and Ministers have had positive meetings so far with teaching unions, the Special Education Consortium, the Church of England and the Catholic Education Service. Alongside these representations, we have also had approaches from individual peers and MPs, which have been dealt with through correspondence and meetings with Ministers.

Barry Gardiner: Why does the Secretary of State continue to call these schools academies? Under the old system, academies were a means of getting extra money from outside the system to children from poor and disadvantaged backgrounds who were not doing well. Under the new system, academies are taking money from within the system away from poor and disadvantaged children and giving it to schools that are already doing very well. Why does he continue to call them academies?

Michael Gove: I know that the hon. Gentleman served with distinction as a Minister in Tony Blair's Government, and was then defenestrated when the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown) took over. He should be aware that Tony Blair made it clear, when he was Prime Minister, that academy freedoms should be extended to all schools. In that respect, we are simply carrying on the good work that was begun under the Prime Minister who was wise enough to have the hon. Gentleman on his Front Bench, rather than following the disastrous course that was taken by Gordon Brown and the right hon. Member for Morley and Outwood (Ed Balls).

Dr John Pugh (Southport) (LD): I have here a press cutting in which a local head teacher in my constituency complains about his school appearing on the Department's database as "interested in academy status", when all that he had actually done was to ask for details of a sketchy scheme. He now says that the chances of his school wanting academy status are minimal and that people are "playing politics" with this. How could such things happen? Could it be that the demand for academy status is being overstated? Also, will the Secretary of State correct the database?

Mr Speaker: Order. One question will probably suffice; one answer certainly will.

Michael Gove: I have consistently made it clear that all those who have expressed interest have only ever expressed interest. I am delighted that so many have done so, but as I am sure my hon. Friend knows, our legislation is permissive, and it will be for schools to decide, rather than Ministers or bureaucrats. That will be a welcome change from the dirigiste methods that so scarred education under the right hon. Member for Morley and Outwood.

Special Educational Needs

18. **Lilian Greenwood** (Nottingham South) (Lab): What plans he has for support for children with special educational needs. [6973]

The Minister of State, Department for Education (Sarah Teather): I will launch a Green Paper in the autumn to look at a wide range of issues for children with special educational needs and disabilities. Before then I will be looking at the results of the Ofsted review of special educational needs expected later this summer, along with the many other reviews of policy in recent years. I will also be listening to the views of parents, teachers and organisations with an interest in this area.

Lilian Greenwood: Does the Minister agree that children in Nottinghamshire with the most profound special needs deserve to be taught in first-class facilities? Is it not therefore fortunate that the previous Government were committed to investing in their education and that they built the wonderful new Oak Field school under Building Schools for the Future?

Sarah Teather: As I said in an earlier answer, simply because some projects have been stopped under Building Schools for the Future does not mean that schools will not be rebuilt or renovated in the future. This Government are absolutely committed to renovating school buildings, which is why we have had to have a review of capital—to ensure that there is still money for children to be able to learn in decent facilities.

Patrick Mercer (Newark) (Con): This morning, I met all the head teachers in my constituency, the most vocal of whom was the head teacher of the Orchard special educational needs school. When it rains heavily, the children in this school have to stop being taught in order to hold buckets under the leaking roof. I ask the Secretary of State, or one of his Ministers, to visit the Orchard school and others in my constituency to find out exactly what the situation is.

Sarah Teather: One of the Ministers will come and visit the Orchard school.

Topical Questions

T1. [6981] **Christopher Pincher** (Tamworth) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Education (Michael Gove): As I pointed out earlier, because of the dysfunctional system we inherited, it has been difficult to establish the absolute truth about the number of schools affected by the rules-based announcement I made last week. Today, an hour and a half before the House met for questions, I distributed to the right hon. Member for Morley and Outwood (Ed Balls) and others the latest updated list of the schools affected. This list has been verified by Building Schools for the Future and by my Department, which has contacted every local authority affected. I am looking forward to hearing from the individual local authorities in due course.

May I also take the opportunity to correct the record on one further matter? In last week's statement, I referred to six schools built under BSF that had suffered from design or construction flaws. On Thursday evening, I was told that three of the schools I mentioned—Carr Manor, Lawnswood and Primrose high—were, in fact, built under a predecessor private finance initiative scheme that sought to renovate the school estate in Leeds. Some of the renovation was financed through BSF; the schools themselves were not procured through BSF, but instead through that predecessor programme. The other schools I referred to in last week's statement were procured through BSF.

We have also issued a written ministerial statement today, pointing out that we are going to review the Office of the Children's Commissioner. As I am sure the whole House will appreciate, this is very much a season for ensuring that we get value for money from our quangos.

Christopher Pincher: Will my right hon. Friend confirm that fewer than 100 schools have been rebuilt under Building Schools for the Future, none of which, incidentally, are in Tamworth, where we have been waiting more

than three years for this labyrinthine process to happen, but not a brick has been laid? Will he confirm that this is yet another example of the former Government failing to keep their promises?

Michael Gove: I sympathise hugely with my hon. Friend. Only 97 schools were built under Building Schools for the Future during the period when the previous Government were in charge. Now we know that under this coalition Government, 706 schools will benefit from BSF and more than half of those will be new builds. Where the previous Government failed, this Government are succeeding.

T5. [6985] **Stephen Twigg** (Liverpool, West Derby) (Lab/Co-op): On Friday, I visited Holly Lodge school—one of six in my constituency affected by last week's announcement. For Liverpool, investment in our schools is crucial to our economic future. Will the Secretary of State undertake to visit Liverpool between now and the end of September to meet schools, the business community, my colleagues and the local council to discuss this crucial issue for the future of our city?

Michael Gove: I am very grateful to the hon. Gentleman, who was a distinguished schools Minister, for that question. I know how hard he works for his constituents and, indeed, for every parent, child and teacher in Liverpool. I am aware that the consequences of the regrettable decision we had to take last week will be felt particularly hard in Liverpool, so either I or a member of my ministerial team will commit to come to Liverpool to talk to him and those affected—by the end of the year, I hope, but certainly as soon as possible.

T2. [6982] **Damian Collins** (Folkestone and Hythe) (Con): Under the previous Government, 186 special schools closed. On Thursday, I will attend the annual prize-giving at Highview special school in my constituency—one that you, Mr Speaker, have visited. May I take the Secretary of State's message of support for special education under the new Government as meaning that the school will have a sustainable future and the support it needs?

Michael Gove: I am grateful to my hon. Friend for his question. It is a tragedy that the ideologically driven closure of special schools under the last Government meant that so many children with special educational needs did not receive the education they deserved. That ideologically driven closure will end under this Government, and under the Minister of State, Department for Education, my hon. Friend the Member for Brent Central (Sarah Teather) we will review support for children with special educational needs. Their care should always be our first concern.

T9. [6989] **Chris Bryant** (Rhondda) (Lab): The Secretary of State will know that one problem in many of the poorest constituencies in the land is the high level of teenage pregnancy in this country—five times higher than in the Netherlands. Before Government Members start blaming Labour—or, for that matter, me personally—let me tell them that the figures rose dramatically under the Conservative Government and then did not fall sufficiently under a Labour Government. The Secretary of State fought hard in the previous Parliament to ensure that we did not have good compulsory sex and relationship education, for every child, in all schools in the land. Will he reverse the argument that he advanced then, because in countries with low levels of teenage pregnancy, the existence of such education is the big difference?

Michael Gove: The hon. Gentleman is a former vicar of the Church of England; he has been accused of many sins, but contributing to teenage pregnancy has never been one of them, to my knowledge. May I say that I entirely appreciate the importance of proper sex and relationships education? My dispute with the previous Government was simply over a question of individual liberty. I felt it important that parents had the right to withdraw their children from sex and relationships education if they thought it inappropriate. I agree, however, that it is vital that all children have high-quality sex and relationships education, in order to ensure that they make the right decisions later in life.

T3. [6983] **Mr David Burrowes** (Enfield, Southgate) (Con): Further to my right hon. Friend's answer to the question from my hon. Friend the Member for Shipley (Philip Davies), is he aware of the situation in Enfield, where increasing housing, migration and birth rates are putting acute pressure on primary and secondary school places? Will he ensure that future capital funding focuses more on increasing capacity and less on increasing bureaucracy, as happened under the previous Government?

Michael Gove: My hon. Friend makes a very good point. One of the demographic changes to which the previous Government did not pay sufficient heed was the increase in the number of pupils arriving at primary schools, particularly in London and the south-east. That growth in basic need is our first priority.

T10. [6990] **Mr Gordon Marsden** (Blackpool South) (Lab): The Secretary of State has already spoken of his great concern about special schools. Has he done any cumulative assessment of the impact on special schools of his BSF cuts last week? The programme for all three such schools in Blackpool—Woodlands, Park and Highfurlong—will be affected and stopped, because they were co-operating with other secondary schools. What assurance will he give the House that he will consider the cumulative impact on special schools, and what assurance will he give me that he will look at the problems in Blackpool in particular?

Michael Gove: I am very sensitive to the problems in Blackpool. I had the opportunity to visit one of the schools that the hon. Gentleman mentions—Highfurlong—with my hon. Friend the Member for Blackpool North and Cleveleys (Paul Maynard). I appreciate the problems on that site and want to do everything possible to ensure that our capital review guarantees that children attending special schools get the money that they need for the facilities that are crucial to their education, as quickly and efficiently as possible.

T4. [6984] **Amber Rudd** (Hastings and Rye) (Con): Is my right hon. Friend aware that, under the overly cumbersome Building Schools for the Future, it took

on average 13 months from first meeting to first construction of a site? What can be done under this Government to ensure that that does not happen again?

Michael Gove: My hon. Friend makes a critically accurate point. As a result of the massive bureaucracy that used to exist under the Building Schools for the Future scheme, people in dilapidated classrooms were denied the resource that they needed, as it was going into the pockets of bureaucrats rather than into bricks and mortar for those most in need.

Jack Dromey (Birmingham, Erdington) (Lab): The Secretary of State will be aware that in his announcement to Parliament last week, a special needs school in my constituency of Birmingham, Erdington was listed under two separate titles, "Stopped" and "Unaffected". Hopes were raised, confusion was then caused, and hopes have been shattered. Will the Secretary of State come to my constituency to meet the head of Queensbury school, which, along with its sister school Kingsbury, has a remarkable vision for a world-class centre of excellence catering for the children of Birmingham with special needs?

Michael Gove: I am grateful to the hon. Gentleman for his question and for showing me the great courtesy of calling me before the weekend to explain precisely the question that he would ask. We will have the opportunity to meet one on one later this week to discuss the precise circumstances of the school that he mentions. I or one of my ministerial team will certainly join him in a visit to that school, to provide the head, teachers and parents with all the information that they need to ensure that in future we do everything possible to help to support them and the great work that they do.

T6. [6986] **Conor Burns** (Bournemouth West) (Con): I thank my right hon. Friend for visiting St Michael's primary school in Bournemouth with me last week. If the head teacher of St Michael's, Mr Bob Kennedy—or, indeed, any other head teacher—were to ask him what excuse could be given for spending £60 million of local authority Building Schools for the Future money on consultants rather than the front line, what on earth would he say in reply?

Michael Gove: It was a pleasure to meet my hon. Friend and the teachers who were doing such outstanding work at St Michael's. It was a fantastic school, and a pleasure to visit.

If a head teacher were to ask me why the last Government spent so much money on consultants rather than on teachers, for once I would be dumbstruck.

Stella Creasy (Walthamstow) (Lab/Co-op): I recognise that there are many pressing issues in Ministers' diaries, but may I beg the Secretary of State to take seriously the request by Willowfield school in Walthamstow to host a meeting for him, for parents from the Walthamstow area, and for parents affected by the decision to stop all the wave 1 school projects in Walthamstow, including those involving William Morris school and Holy Family college? There could then be a discussion about how we can meet our urgent need for school places in the locality, given that all those buildings have been condemned as not fit for purpose—a bit like the present Government.

Michael Gove: I am grateful to the hon. Lady for asking a very good question with a nice scorpion sting in the tail. I appreciate that in some parts of the country, because of the way in which Building Schools for the Future was run, the decision that we had to make bites more sharply. Waltham Forest is one of them, Somerset another, and Liverpool a third. For that reason, I will ensure that one of my Ministers or officials contacts the hon. Lady very quickly to see what we can do to alleviate this necessary blow.

T7. [6987] **David Mowat** (Warrington South) (Con): Given that last week's announcement on BSF has had an impact on several schools in Warrington—including Penketh high school, where the need is great—will the Secretary of State tell us when his capital review is likely to report, and what criteria will be used in the review to prioritise schools? Is he willing to meet me and Warrington educationalists to discuss their needs?

Michael Gove: My hon. Friend was good enough to lobby me several weeks ago about the fate of the school that he mentioned, and schools in Warrington overall. He was, as ever, articulate and powerful on behalf of his constituents. I recognise that his constituents have been let down by the fact that Building Schools for the Future spent so much money on bureaucracy, and not enough on bricks and mortar. The purpose of our capital review is to ensure that money reaches the front line more quickly, and that the dysfunctional system that was established under the last Government—which they took no steps to reform or abolish—is transformed. I believe that there will be an interim report in a few months' time and a final report by the end of the calendar year, both of which will transform school buildings for the future.

Tristram Hunt (Stoke-on-Trent Central) (Lab): Is the Secretary of State aware that figures from his department show that academy schools are, on average, teaching one third less GCSEs in history and geography than schools in the maintained sector, and are often inflating their grades through the use of GCSE equivalents? If that is to be the model for the future, what steps is the Secretary of State taking to ensure that academic subjects are protected in academies?

Michael Gove: Like the hon. Gentleman, I am committed to academic excellence, so I should point out that he should have said "fewer", not "less". However, he has made a good point. I am worried about the use of so-called equivalent qualifications instead of academic GCSEs. When I raised the issue from the Opposition Benches, the then Secretary of State said that I was talking achievements down, but I am glad to note that we can now form a coalition for excellence across the Dispatch Box.

Andrea Leadsom (South Northamptonshire) (Con): Does my right hon. Friend agree that it is regrettable that five secondary schools in my constituency which are in dire need of expenditure on the framework of their buildings have received absolutely nothing under the Building Schools for the Future programme, simply because in theory they are in a reasonable area where children are, in theory, receiving a good education?

Michael Gove: I am grateful to my hon. Friend for her question, which points to one of the many weaknesses in the Building Schools for the Future programme. Because its operation was area-based, some schools which were not dilapidated and which occupied serviceable buildings—not ideal, but serviceable—received large sums of money, while in many other parts of the country children suffered poor education in dilapidated buildings that were not prioritised for investment. That has to change.

Julie Hilling (Bolton West) (Lab): Will the Secretary of State or a member of his team undertake to meet the pupils of Westhoughton high school, who will be making an educational visit to Parliament this Thursday, to explain to them why they have wasted the last two years designing and developing their programme for their new school and why they will now have to spend the rest of their school career in a crumbling school?

Michael Gove: The hon. Lady is an impassioned advocate for Bolton West, but I have to tell her—and she can tell this to the children and parents concerned—that the reason why this process took so long is because of the bureaucracy her Government put in place. The reason why those children are losing out is because of the decisions made by the right hon. Member for Morley and Outwood, and if she is angry, as I am, that children's destinies have been compromised, that anger—that righteous anger—should be directed at the right hon. Gentleman, the person who presided over this debacle in the first place.

Graham Evans (Weaver Vale) (Con): Free schools have the potential to make a massive positive impact on the education of children in my constituency, Cheshire and the north-west as a whole. When does the Secretary of State anticipate that the first free schools will be able to open and begin their vital work?

Michael Gove: September 2011.

Several hon. Members *rose—*

Mr Speaker: Order. I am grateful to the Secretary of State for that pithy reply, but I am afraid that demand has exceeded supply and we must now move on to the statement.

NHS White Paper

3.31 pm

The Secretary of State for Health (Mr Andrew Lansley): With permission, Mr Speaker, I would like to make a statement on the future of the national health service.

The NHS is one of our great institutions, and a symbol of our society's solidarity and compassion. It is admired around the world for the comprehensive care it provides and for the quality, skill and dedication of its staff. I begin today by paying tribute to the staff of the NHS and the commitment they daily show to patients in their care.

This Government will always adhere to the core principles of the NHS: a comprehensive service for all, free at the point of use, based on need, not ability to pay. That principle of equity will be maintained, but we need the NHS also consistently to provide excellent care.

The NHS today faces great challenges: it must respond to the demands of an increasing and ageing population, advances in medical technology and rising expectations; it remains stifled by a culture of top-down bureaucracy, which blocks the creativity and innovation of its staff; and it does not deliver outcomes in line with the best health services internationally—many of our survival rates for disease are worse than those of our neighbours. The NHS must be equipped to meet those challenges. We believe it can do much better for patients, so today I am publishing the White Paper, "Equity and Excellence: Liberating the NHS", so that we can put patients right at the heart of decisions made about their care, put clinicians in the driving seat on decisions about services, and focus the NHS on delivering health outcomes that are comparable with, or even better than, those of our international neighbours.

For too long, processes have come before outcomes, as NHS staff have had to contend with 100 targets and over 260,000 separate data returns to the Department each year. We will remove unjustified targets and the bureaucracy that sustains them. In their place, we will introduce an outcomes framework setting out what the service should achieve, leaving the professionals to develop how.

We should have clear ambitions, and our approach will be set out shortly in a further consultation document. For example, our aims could be: to achieve one and five-year cancer survival rates above the European average; to minimise avoidable hospital-acquired infections; and to increase the proportion of stroke victims who are able to go home and live independently—in short, care that is effective, safe and meets patients' expectations.

The outcomes framework will be supported by clinically established quality standards, and the NHS will be geared across the board towards meeting them. We will do that by rewarding commissioners for delivering care in line with quality standards; strengthening the regulatory regime so that patients can be assured that services are safe; and reforming the payment system in the NHS, so that it is a driver not just for activity, but also for quality, efficiency and integrated care.

Patients will be at the heart of the new NHS. Our guiding principle will be "no decision about me, without me." We will bring NHS resources and NHS decision making as close to the patient as possible. We will extend "personal budgets", giving patients with long-term conditions real choices about their care. We will introduce real, local democratic accountability to health care for the first time in almost 40 years by giving local authorities the power to agree local strategies to bring the NHS, public health and social care together. Local authorities will also be given control over local health improvement budgets. This will give an unprecedented opportunity to link health and social care services together for patients. We will give general practices, working together in local consortiums, the responsibility for commissioning NHS services, so that they are able to respond to the wishes and needs of their patients. This principle is vital, bringing together the management of care with the management of resources. With commissioning support, GPs collectively will lead a bottom-up design of services.

In addition, we will introduce more say for patients at every stage of their care, extending the right to choose far beyond a choice of hospital. Patients will have choice over treatment options, where clinically appropriate, and the consultant-led team by whom they are treated. They will have the right to choose their GP practice, and they will have much greater access to information, including the power to control their patient record. We must ensure also that patients' voices are heard, so we will establish HealthWatch nationally and locally, based on local involvement networks, to champion the needs of patients and the public at every level of the system.

To achieve these improvements in outcomes, we need to liberate the NHS from the old command-and-control regime, so all NHS trusts will become foundation trusts, freed from the constraints of top-down control, with power increasingly placed in the hands of their employees; and we will allow any willing provider to deliver services to NHS patients—provided that they can deliver the high-quality standards of care we expect from them. Our aim is to create the largest social enterprise sector in the world, but it is not a free-for-all. Monitor will become a stronger economic regulator to ensure that the services being provided are efficient and effective, and that every area of the country has the NHS services it needs to provide a comprehensive service to all. The Care Quality Commission will safeguard standards of safety and quality. An independent and accountable NHS Commissioning Board will be established to drive quality improvements through national guidance and standards, in order to inform GP-led commissioning. The board will allocate resources according to the needs of local areas, and lead specialised commissioning.

In the coming weeks, detailed consultation documents will enable people to comment on the implementation of this strategy, leading to the publication of a health Bill later this year. I recognise that the scale of today's reforms is challenging, but they are designed to build on the best of what the NHS is already doing. Clinicians are already working to facilitate patient choice, giving patients the information they need to make effective decisions. GP consortiums are already established in some areas of the country and are ready to go. Local authorities in some areas are already working closely with local clinicians to co-ordinate health and social care and improve public health. Payment by results already gives us a starting framework for building a payment system that really drives performance. Foundation trusts are already using the freedoms they have to innovate. We will build on this progress, not dismantle it.

With this White Paper we are shifting power decisively towards patients and clinicians. We will seek out and support clinical leadership. That means simplifying the NHS landscape and taking a further, radical look at the whole range of public bodies. We will reduce the Department of Health's NHS functions, delivering efficiency savings in administration. We will rebalance the NHS, reducing management costs by 45% over the next four years and abolishing quangos that do not need to exist, particularly if they do not meet the Government's three tests for public bodies. We will also shift more than £1 billion from back-office to the front line. Form must follow function. As we empower the front line, so we must disempower the bureaucracy. Therefore, after a transitional period we will phase out the top-down management hierarchy, including both strategic health authorities and primary care trusts.

Later in the summer, we will be publishing a report setting out how we see the future of NHS-related quangos. I can say now that this will mean a reduction of at least a third in the number of such bodies. This is part of a wider drive across government to increase the accountability of public bodies and reduce their number and cost. The dismantling of this bureaucracy will help the NHS realise up to £20 billion of efficiency savings by 2014, all of which will be reinvested in patient care. Today's reforms set out a long-term vision for an NHS that is led by patients and professionals, not by politicians. It sets out a vision for an NHS empowered to deliver health outcomes as good as any in the world. I commend this statement to the House.

Andy Burnham (Leigh) (Lab): I thank the right hon. Gentleman for his statement and for giving me advance sight of it, although in keeping with the style of this Government, it would appear that this House was the last to find out, behind every media outlet in the land.

Last month, the Commonwealth Fund gave its verdict on Labour's NHS, saying that it was top on efficiency and second overall on quality compared with other developed health care systems. Today, we have further evidence of progress, with figures from Cancer Research UK showing that long-term cancer survival rates have doubled. This progress was hard won; it took 10 years of painstaking work piecing together a detailed jigsaw. The right hon. Gentleman, with this White Paper, has today picked it up and thrown the pieces up in the air. It is a huge gamble with a national health service that is working well for patients.

The right hon. Gentleman's spin operation bills this as

"the biggest revolution in the NHS since its foundation 60 years ago".

That is something of a surprise, given the ink was barely dry on a coalition agreement that said:

"We will stop the top-down reorganisations of the NHS that have got in the way of patient care."

What has happened since the publication of the coalition agreement to justify a U-turn of such epic proportions? Manifesto commitments have been casually dropped but this must be the first time that that agreement has been so spectacularly ripped up.

This reorganisation is the last thing that the NHS needs right now; it needs stability, not upheaval. All its energy must be focused on the financial challenge ahead. It needs confident, motivated staff, but the 1.3 million people who work for the NHS will not be comforted by this White Paper and they will be alarmed that their systems of national pay bargaining are being torn up. We support a strong say for clinicians and GPs in improving quality. That was the direction that Lord Darzi set out, after broad consultation. We introduced practice-based commissioning within a framework of public accountability and population-wide commissioning supported by primary care trusts. What we do not support is the wiping away of oversight and public accountability, and the handing over of £80 billion of public money to GPs, whether they are ready or not. Michael Dixon, chair of the NHS Alliance, says that only about 5% of GPs are ready to take over commissioning. Sir David Nicholson, chief executive of the NHS, has judged that even the best GP practice-based commissioners are "only about a three" out of 10 in terms of the quality of their commissioning. So what sound evidence does the right hon. Gentleman have that 100% of GPs are ready, willing and able to commission services for the entire population?

The right hon. Gentleman's statement talked of rewarding commissioners who hit outcomes. Does he mean yet more money for GPs? How much will all GPs be paid for taking on this role? How many jobs does he expect to be lost in the NHS and how much money has he put aside for redundancy costs? What guarantees can he give the House that people will not simply be paid off by the NHS to be re-employed by a GP practice?

How does the right hon. Gentleman think loyal primary care trust staff felt when they read this quote—I apologise, in advance, for the language, Mr Speaker—from

"a senior Department of Health source",

which was anonymously briefed to the *Health Service Journal*? It reads:

"PCTs are screwed. If you've got shares in PCTs I think you should sell".

That is no way to treat loyal public servants, who have served the NHS and are now worried about their future. On page 10, the right hon. Gentleman says that the reforms are vital to deal with the financial situation, but is it not the case that there has never been an NHS reorganisation that did not cost money and divert resources in the short term? Is not the handing of the public budget to independent contractors tantamount to the privatisation of the commissioning function in the NHS? Will there be any restrictions at all on the use of the private sector by GPs?

Added to this, the right hon. Gentleman is bringing a series of market reforms into hospitals. He tells us that the first role of Monitor will be to promote competition and talks of any willing provider and freedoms for foundation trusts. Is not that the green light to let market forces rip right through the system with no checks or balances? Are not the hearts of NHS staff sinking as they read the White Paper?

On bureaucracy, we will support the Government where sensible reductions can be made, but what he calls pointless bureaucracy, we call essential regulation. What are his plans for the Food Standards Agency and are the reports correct that he has waived his right to regulate in return for funding for Change4Life? Can he explain how 500 or more GP consortiums, all of whom will need administration and management, can be less bureaucratic than 152 primary care trusts?

[Andy Burnham]

Lastly, where are the public accountability and the accountability to this House? How will GPs be held to account for the £80 billion of public money for which they will be responsible and how will the new NHS commissioning board—the biggest quango in the world—be accountable to this House and to Members of Parliament?

In conclusion, this White Paper represents a roll of the dice that puts the NHS at risk—a giant political experiment with no consultation, no piloting and no evidence. It is the right hon. Gentleman at his confused and muddled worst, but the sadness is that he is taking an £80 billion gamble with the great success story that is our national health service today. At a stroke, he is removing public accountability and opening the door to unchecked privatisation. He is demoralising NHS staff at just the time we need them at their motivated best. For patients, it opens the door to a new era of postcode prescribing where services vary from street to street. It turns order into chaos, and we will oppose it.

Mr Lansley: I am just astonished that the shadow Secretary of State seems to have gone to the barricades for the primary care trusts. The primary care trusts and strategic health authorities are organisations that, under his watch as Secretary of State—for about a year—increased their management costs by 23%. In the year for which he was in charge, they spent £261 million on management consultants. Before the election, when it had a majority of Labour Members, the Select Committee on Health said that PCT commissioning was weak and that it was not delivering what was intended. He set up a programme called world class commissioning—it never worked. Central to delivering better commissioning in the health service is ensuring that those people who incur the expenditure—the general practitioners, on behalf of their patients—and who decide about the referral of patients are the same people who, through the commissioning process, determine the shape of the services in their area. It is more accountable.

How often have all of us, on both sides of the House, asked Labour Ministers about what primary care trusts are doing locally in terms of service change only to be told, "It's nothing to do with us; it's all happening locally"? We are going to be very clear about the accountability. One thing that the coalition programme has enabled us to do, as two parties bringing our programmes together, is to strengthen the accountability to local authorities. Local authorities, through their strategies that mesh NHS services, public health and social care, will ensure that major service changes and the design of services reflect the interconnection between those things. Those who have complaints and problems will be able to have them addressed through HealthWatch and through their local authority. We will be able, through local authorities, to ensure that the commissioning support to GP commissioning consortiums can be more effective.

The shadow Secretary of State talked about the Commonwealth Fund. I do not know whether he has even read the Commonwealth Fund report, but it said that the UK health care system was the second worst on hospital-acquired infections, that the UK delivers the poorest level of patient-centred care and that, on outcomes, we performed the second worst overall on mortality amenable to health care.

The right hon. Gentleman stood up and said that cancer mortality rates have improved. They have—since the 1970s, and all over the world. However, the issue is where we stand in relation to the rest of the world. If we were to meet the European average on cancer survivals, 5,000 more people would live each year rather than die. If we were to do the best in Europe, 10,000 more would live each year. For stroke, the figure is 9,000. We have to measure ourselves on the outcomes relative to the other health systems that are comparable to ours.

Nine years ago, the right hon. Gentleman's Prime Minister, Tony Blair, said that we must spend as much as Europe. Through this White Paper and the reforms that we will bring in, we are determined to achieve results for patients that are at least as good as those in the rest of Europe. It is not just about inputs and spending, but about the results we achieve. The right hon. Gentleman, on behalf of his party, has just abandoned the reforms that his Prime Minister, Tony Blair, put forward. In 2006, Tony Blair said that we must have patient choice, practice-based commissioning, the independent sector and foundation trusts—reforms that Labour failed to deliver and, indeed, undermined. We, as a coalition Government, are now determined to put those reforms in place to deliver results for patients.

Mr Stephen Dorrell (Charnwood) (Con): I congratulate my right hon. Friend on setting out a clear vision for the NHS that is committed to high-quality outcomes for patients and good value for money for the taxpayer. Does he agree that the delivery of that objective depends critically on effective commissioning? Does he recall that the last Labour Government said that engaging GPs with the commissioning process was the key to success? Does he recall that the White Paper setting out the plan for practice-based commissioning said that GP commissioning was not a new idea to the NHS? Indeed, it is not. He is to be congratulated on holding out the prospect that, at last, this idea can be made good and made powerful in the interests of patients.

Mr Lansley: I am grateful to my right hon. Friend for his comments. In his capacity as the Chairman of the Select Committee on Health, we will be responding to him very shortly regarding the Select Committee's report from before the election on commissioning in the NHS. What he has just said is absolutely right; we have to be able—this is a central task in commissioning—to bring together the responsibility for the management of patient care with the responsibility for the commissioning of services. The current situation is akin to a shopping trolley being pushed to the checkout while the primary care trust is standing there with a credit card, bleating about whether things should be taken out of the trolley. We have to ensure that the design of services follows the best clinical leadership in terms of the services that are required for patients. He and I very much agree on precisely that objective.

Several hon. Members *rose—*

Mr Speaker: Order. More than 30 hon. and right hon. Members are seeking to catch my eye. As always, I would like to accommodate everybody, but what is required, both in questions and in answers, is brevity—a legendary example of which I am sure will now be provided by the right hon. Member for Don Valley (Caroline Flint).

Caroline Flint (Don Valley) (Lab): Thank you, Mr Speaker. Is it not already the case, in PCTs, that it is clinical directors, who are professionally trained as doctors, who lead in terms of providing services in conjunction with GPs at a local level? Can the Secretary of State assure the House that his proposals will make the system any better? I do not think so.

Mr Lansley: I am sorry, but when the right hon. Lady was a Minister, she should have talked to more GPs. Overwhelmingly, they would have told her that they do not feel that the PCTs listen to them. They feel that the PCTs tell them what to do and get in the way. We are going to empower GPs to deliver services for their patients.

David Tredinnick (Bosworth) (Con): I, too, congratulate my right hon. Friend on his statement. If he is going to get more choice for patients in treatment options, he will have to expand integrated health care so that herbal medicine, acupuncture, back treatments and homeopathy are more widely available across the country. Will he look at the American model of the consortium of 44 academies that has been considering integrated health care? Can he reassure me that his NHS commissioning board will not block options for integrated health care across the country?

Mr Lansley: The job of the NHS commissioning board will be to inform GP-led commissioning through scientific evidence, clinical evidence and guidelines, but it will be for GPs themselves, managing their budgets, to enable patients to exercise greater choice. The working out of what that choice looks like should not be dictated by politicians, but should be determined by patients and their clinical advisers.

Miss Anne Begg (Aberdeen South) (Lab): The Secretary of State has not answered the question of my right hon. Friend the Member for Leigh (Andy Burnham) about the future of the Food Standards Agency. The Scottish arm of the FSA is based in Aberdeen, and I wonder whether the Secretary of State has had any discussions with the Scottish Government about its future. If not, is this yet another example of the new relationship that is meant to be in place between Scotland and the rest of the UK?

Mr Lansley: The shadow Secretary of State will have had the chance to see that there is nothing in today's White Paper about the FSA—no such proposal.

Andy Burnham: You have been briefing about it.

Mr Lansley: I have not been briefing anything to anybody. *[Interruption.]* I have not. It is very straightforward. The FSA, along with other bodies associated with our public health responsibilities, will be the subject of a public health White Paper in the autumn. There is no proposal.

Andrew George (St Ives) (LD): In seeking to reassure the House that this is not the top-down reorganisation that the coalition agreement derided, would my right hon. colleague reassure my constituents, who are quite excited by the idea of more patient and local authority involvement in local decision making, that where the primary care trusts in which they are going to be appointed will be abolished, there will be more GP commissioning groups than PCTs at the end of the process?

Mr Lansley: Yes, I am grateful to the hon. Gentleman. The number of GP-commissioning consortiums will be determined not least by GPs themselves, deciding what makes sense in their locality. He and his Cornish colleagues have often been frustrated by the way in which a top-down bureaucracy has sought to dictate to the people of Cornwall, often in specific localities, at a considerable distance from their hospital services, what services should be provided locally in places such as Hayle and Penzance. He and his constituents can be really comforted by the thought that their clinical advisers and general practitioners in local consortiums can in future make those decisions about their services.

Hazel Blears (Salford and Eccles) (Lab): Despite the tremendous improvements that have been made in Salford and Eccles over the past few years in tackling cancer and heart disease, significant inequalities remain that require substantial resources. Will the Secretary of State confirm that in shifting commissioning powers to GPs and allowing the NHS commissioning board to allocate resources, the funding formula will still properly reflect the needs and deprivation factors in areas such as mine and right across the country?

Mr Lansley: The White Paper makes it clear that the NHS commissioning board will be required to allocate resources across the NHS in England on the basis, as far as possible, of seeking to secure equivalent access to NHS services. That will clearly be relative to the prospective burden of disease. In tackling health inequalities, the right hon. Lady will know that we need separately to allocate resources to local health improvement plans, which will be led through local authorities, and which will enable them to create local public health strategies to secure improvements in health outcomes and to reduce health inequalities.

Nadine Dorries (Mid Bedfordshire) (Con): May I congratulate the Secretary of State on what is a truly exciting White Paper? Will he confirm that in addition to GPs having responsibility for commissioning, there will be the opportunity for them to become actively involved in the provision of care and deciding what care is allocated to which patients?

Mr Lansley: Yes, my hon. Friend understands that GPs are often providers beyond their primary medical services responsibilities. One of the difficulties with fundholding was that there was an opportunity for that conflict of interest to arise and not be properly resolved, so we have made it clear that, in the commissioning framework that we will publish, we will set out consultation proposals on how we ensure that that conflict of interest is not allowed to arise. Where GPs wish to be providers, we do not constrain them, but how that contract is arrived at is transparent and open.

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): How can the Secretary of State, with a straight face, say that he opposes the culture of top-down bureaucracy and decisions being taken by politicians, when he himself,

[Mr Nick Raynsford]

in the past six weeks, has stopped the implementation of a clinically led and agreed programme for improving health care provision in south-east London, which was going ahead until he stopped it? Does he now accept that his words carry very little force for those of us who know what his actions indicate?

Mr Lansley: No is the answer. I set out on 21 May criteria on listening to patients and understanding what patient choice will be in future; on engaging the public, including local authorities, which are now following through on that accountability; on following the clinical evidence of what can best deliver outcomes; and on ensuring that GPs, as we have made clear, must be supportive and engaged. If any proposal in London is made at local level, such as the one the right hon. Gentleman refers to in Oxleas, that satisfies those criteria, which are bottom-up and locally led, there is no difficulty in its proceeding.

Mr Steve Brine (Winchester) (Con): I congratulate the Secretary of State on his statement, which many people outside the House will recognise is a breath of fresh air for our NHS, unlike the flagging leadership bid we heard earlier—the second this afternoon—from the Opposition.

Will the Secretary of State confirm that the new consortiums of GPs can regain responsibility for out-of-hours care, the provision of which is a great worry for many of the people I represent across Winchester and Chandler's Ford?

Mr Lansley: Yes. The commissioning responsibility will include urgent and out-of-hours care. I commend to my hon. Friend what the White Paper says about how we can deliver improvements in efficiency and effectiveness in terms of urgent care, 24 hours a day, seven days a week.

Mr Dennis Skinner (Bolsover) (Lab): Speaking as someone with a successful outcome, twice, under the national health service in recent times, could the Secretary of State explain to me why these private elements within the NHS—that is, the GP practices—which are getting another £80 billion to spend are not going to be watched over by the primary care trusts or, seemingly, anybody else? Who is going to watch them spend that money—the private sector?

Mr Lansley: I am astonished that Labour Members are still attacking general practice. I thought that shadow Ministers—former Ministers—had had enough of doing that. *[Interruption.]* I will answer the hon. Gentleman. GP practices will be accountable to patients who exercise choice; accountable to their local authority, through which a strategy is established; and accountable to Parliament and to Ministers through the NHS commissioning board with which they will have their contract.

Jacob Rees-Mogg (North East Somerset) (Con): In welcoming this statement, I wonder whether the Secretary of State will be able to put in place any interim measures for people such as a constituent of mine who have been prescribed life-prolonging cancer drugs such as Lapatinib but are being denied them.

Mr Lansley: I am pleased to be able to tell my hon. Friend that as part of the coalition programme we have said that we will implement a cancer drugs fund from April 2011. Indeed, my ministerial colleagues—not least the Minister of State, Department of Health, the hon. Member for Sutton and Cheam (Mr Burstow)—and I are looking urgently at what we can do in the meantime to try to ensure that we no longer continue with a situation where patients do not have access to cancer drugs that are routinely available in other countries.

Mr David Lammy (Tottenham) (Lab): Most people will recognise that GPs are at the cornerstone of the NHS, but also that since 1948 they have been independent practitioners running for-profit businesses. What safeguards has the Secretary of State put in place, and what is he doing about conflicts of interest? He said nothing about that in his statement. Is not what is proposed like asking pharmaceutical companies to be in charge of the NHS drugs bill?

Mr Lansley: I must not be unkind to the right hon. Gentleman, because he has not yet had a chance to read the White Paper—

Mr Lammy: It is here—I have read it.

Mr Lansley: That is my statement. When the right hon. Gentleman reads the White Paper, it will become obvious to him that, yes, we are looking to GPs to take responsibility for commissioning, but, unlike the problems that arose with fundholding, there will not be an opportunity for GPs to generate surpluses on their commissioning budget, and so money in their pocket. It will not work like that: there will be a clear separation between the commissioning budget and their personal budget. We will focus on the thing that really matters, which is GPs taking a commissioning responsibility in designing services.

Nicholas Soames (Mid Sussex) (Con): I welcome the Secretary of State's bold and imaginative statement on a White Paper that I am sure will be broadly welcomed in the NHS, not least because it will give people within the NHS the opportunity to give true vent to their creativity. Does he agree, however, that he is setting very demanding targets and challenges; and what time line does he envisage before this is finally implemented?

Mr Lansley: I am grateful to my hon. Friend. I will not go through the White Paper in detail now, but within it he will find that we look towards some GP commissioning consortiums taking an early adopter place from 2011-12, with consortiums generally taking, as it were, a shadow responsibility but not a legal responsibility in 2012-13, and then taking full responsibility, subject to the passage of the legislation to establish that, from April 2013 onwards—the point at which we anticipate that primary care trusts will be abolished.

Liz Kendall (Leicester West) (Lab): The Minister will know that about 80% of patient contact with the NHS is in primary care. Will GP commissioning groups be allowed to commission GP and other primary care services from themselves, and if so, how will they be held to account for that decision?

Mr Lansley: No, the NHS commissioning board will contract for the primary medical services provided by GPs themselves. GPs will commission for the additional services, including all the community and hospital services. There will be a combination of individual practices taking a responsibility, rewarded through their quality and outcomes framework for the service that they provide to their patients individually, and a general commissioning responsibility for those practices together with others in a local consortium.

Ben Gummer (Ipswich) (Con): Could the Secretary of State confirm what will happen to those trusts that have not yet achieved foundation trust status and those that are in the middle of applying for it?

Mr Lansley: I am grateful for that question, because what is important is that we have coherent reform in relation to both commissioners and providers. That means that by 2013-14, we should not only have energised the commissioning process and patient choice but set free the hospital providers. My objective, set out in the White Paper, is that by that time all NHS trusts should become foundation trusts. We will need to put in place measures to support them to do that.

Mr Geoffrey Robinson (Coventry North West) (Lab): Is the Secretary of State aware that those of us who listened to his speeches in opposition were much encouraged, but that with this first statement he has totally disillusioned everybody who believed that he was going to avoid the faults of the past? He has now introduced the biggest top-down, ill thought-through reorganisation that there has ever been in the NHS, and it has about as much chance of success as any previously introduced.

Mr Lansley: I would encourage the hon. Gentleman to go and talk to GPs in Warwickshire whom I have talked to, and to talk to those at Walsgrave about the freedoms that they want to enjoy.

I wish to make it absolutely clear to the hon. Gentleman that there is great consistency between what we said in opposition and what I am announcing today, but that there are some major improvements. Frankly, they have come about because of the conversations that I have had with my colleagues from the Liberal Democrat party. Not least, those conversations have enabled us to focus on the fact that instead of leaving what was a diminishing, residual role for primary care trusts, which withered on the vine, it is better and stronger for us to create a strategic responsibility for local authorities on public health and on joining up health and social care. That will allow us to remove the bureaucracy associated with PCTs, and it is more coherent and stronger than the proposals that we had in opposition.

Dr Sarah Wollaston (Totnes) (Con): My right hon. Friend recognises how toxic many targets were in the NHS, but they were not all bad. There were some that ensured that standards were maintained—for example the two-week wait for cancer referrals. How will he ensure that standards are maintained when targets are abolished?

Mr Lansley: I am grateful to my hon. Friend, who is absolutely right. That is why, as I said in my statement, not only will we be clear about what we are trying to achieve—for example, where cancer is concerned, one and five-year survival rates at least as good as the European average and hopefully as good as any in Europe—but we will require the NHS to look towards clinically led, evidence-based quality standards that enable those working in the NHS to be clear about what constitutes quality. That will enable us to deliver those outcomes.

Glenda Jackson (Hampstead and Kilburn) (Lab): Some of the greatest health inequalities occur in areas of the greatest deprivation, which are not infrequently areas that are not attractive to GPs. We also have in London a very large number of people who have never registered, and will never register, with a GP. They tend to use accident and emergency departments. How will their medical needs be presented to this top-down body, the NHS commissioning agent, when there can be no input from GPs? If I read the Secretary of State's statement correctly, GPs' recommendations will be disregarded by the NHS commissioning board.

Mr Lansley: I do not recognise the hon. Lady's latter point. Some 7% of the population in London are not registered with a GP, which is one reason why commissioning consortiums of GPs will take responsibility for their locality, not just their registered patient population.

In relation to hospitals such as the Royal Free, one reason why the hon. Lady, I and other Members were campaigning against her Government before the election was that we recognised that we cannot shut down accident and emergency departments when patients are coming in the door by the tens of thousands because there is no alternative provision. The best way to design services in the community that better meet the needs of patients is through general practitioners designing them around the needs of their patients.

Mr John Baron (Basildon and Billericay) (Con): I very much welcome the White Paper's increased focus on improving outcomes, and particularly my right hon. Friend's comments about the introduction of one-year and five-year cancer survival rates, for which the all-party group on cancer has been pushing. How does he envisage GP commissioning of cancer services improving with the White Paper, given that part of the problem is that a typical GP will see only eight new cancer presentations a year?

Mr Lansley: I pay tribute to my hon. Friend's work. He will have noted that I deliberately said both one-year and five-year cancer survival rates—he made an important point about that. Clearly, there are many specialist commissioning services, which will become the NHS commissioning board's responsibility. To that extent, GPs should not be expected to commission specialised services—they have little experience of that. However, GPs as commissioning consortiums, like primary care trusts at the moment, are capable of having a relationship with their cancer networks to establish the services that they need for their patients. Indeed, that applies more to GPs because many of the patients and those who work in cancer services to whom I speak are critical of the lack of awareness on the part of PCT commissioners of the available services. Those who work in cancer services do not believe that PCT commissioners understand the service that they provide. Not every GP understands every aspect of cancer care, but they are much better placed to work with cancer specialists to design the services.

Mr Michael Meacher (Oldham West and Royton) (Lab): Given the transfer of £70 billion of NHS funds from PCTs to 500 GP consortiums, the vast majority of which have neither the expertise nor the inclination for such a huge administrative task and will have to buy in specialists from the private sector to do it for them, is not it clear that the real motive behind the reforms is to enable US multinational corporations, such as UnitedHealth, or UK corporations, such as BUPA or Virgin, to parcel out health care to the private sector on a vast scale?

Mr Lansley: No. That is completely wrong on all counts.

Dr Julian Lewis (New Forest East) (Con): I congratulate my right hon. Friend on his firm grasp of the subject and on taking an axe to the forest of bureaucracy. As he proposes to phase out the strategic health authorities, may I nominate the South Central strategic health authority—he knows what is coming—because that would ensure that it was no longer able to waste hundreds of thousands of pounds of our money on fighting a hopeless legal case to impose fluoridation on a population, three quarters of whom have indicated that they do not want it?

Mr Lansley: Yes, I am indeed aware of precisely what my hon. Friend says and will certainly take it into account.

Jeremy Corbyn (Islington North) (Lab): The Secretary of State has been asked by many Members about the accountability of GPs, and he has not answered. Some £80 billion is to be pumped through GPs, who will then buy in services. Who manages them? Who monitors them? Who checks on what they are doing? Will we get value for money or, as my right hon. Friend the Member for Oldham West and Royton (Mr Meacher) said, will the system in reality be administered by private health companies, just as GPs are private contractors in the NHS?

Mr Lansley: At the risk of repetition, let me say that GPs will be accountable to patients, who will exercise more control and choice. They will be accountable to the NHS commissioning board, which will hold their contracts, for financial control and for their performance, through the quality and outcomes framework. They will be accountable to their local authority for their strategy and for the co-ordination of public health services and social care.

Jason McCartney (Colne Valley) (Con): Thousands of patients in my constituency are desperate for specialist maternity care to be returned to Huddersfield royal infirmary, which was downgraded under the previous Government. Does the White Paper make the return of consultant-led maternity services to Huddersfield more likely?

Mr Lansley: The White Paper will enable GPs in an area, plus their local public and their local authority, to make decisions about the shape of services rather than its being done by ministerial diktat.

Alex Cunningham (Stockton North) (Lab): The Secretary of State referred to delivering for the patient. Will he guarantee that patients such as those who need a new knee or a new hip can expect their treatment in 18 weeks, or is it more likely to be 18 months, under today's proposals, as it was under the previous Tory Government?

Mr Lansley: Ah! That was one of the Opposition Whips' handout questions, wasn't it? I will tell the hon. Gentleman that actually, patients are more likely to get their treatment more quickly. Let me give him an example. Patients with rheumatoid arthritis need rapid treatment, but they were losing out and suffering as a consequence of the 18-week target, because hospitals were hitting 18 weeks, but not providing the care needed by those patients in the light of their conditions. We must focus on what is in the best interests of patients, not on what is in the best interests of political grandstanding.

Bob Blackman (Harrow East) (Con): The Secretary of State's announcement will be warmly welcomed in my constituency. On Friday, I went to see a group practice of 12 GPs who are totally frustrated by the local PCT. They are concerned that when the reforms are introduced, they will also be frustrated by the GP consortiums. Will my right hon. Friend give me some assurances on how the GP consortiums will be formed? What will happen if some GPs disagree with how a consortium is set up?

Mr Lansley: I can tell my hon. Friend that I am looking to GPs in a locality to create GP commissioning consortiums that represent an area. They must decide on the geography of that and make proposals. It will not be possible for GPs simply to say, "This is nothing to do with us," because in future, we must expect GPs, who are senior professionals in public service and paid appropriately, to be responsible not only for the care of the individual patient in front of them, but collectively for the quality of care provided to their population at large.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): Prior to 1997, there was no cancer strategy and cancer was not a priority. The Secretary of State is absolutely right to make reaching European levels of one and five-year survival rates one of his priorities and an aspiration, but he knows very well that the one thing that is holding us back is the problem of early diagnosis. Precisely how does he think his abolition of targets and his woolly assurances will ensure early diagnosis? I will wager him that under his proposals, we will fall backwards rather than make progress.

Mr Lansley: Let me tell the hon. Lady that only just over 40% of those who were diagnosed with cancer actually came through the two-week wait process at all. She is right that it is very important that patients' signs and symptoms should be identified at an earlier point and that they should have earlier diagnosis. Whom does she imagine is best placed to identify signs and symptoms and to take action on them other than patients and the GPs who are responsible for their care? *[Interruption.]* If Opposition Members stop interrupting from a sedentary position, I can continue. Actually, patients need— *[Interruption.]* The shadow Secretary of State should understand this, having held responsibility for it. For early diagnosis, awareness of signs and symptoms on the part of patients is critical. Only 30% of members of the public had any idea what cancer signs and symptoms

were beyond the presence of a lump or swelling. We need to change such things and the responses of GPs to those early signs and symptoms.

Mr Speaker: Order. Members really should not chunter, witter or otherwise heckle from a sedentary position, because they thereby reduce their chances of getting in, or of their colleagues getting in.

Margot James (Stourbridge) (Con): Older people and people with long-term medical conditions have not been well served by the division between health and social care, which has lasted many years. I congratulate the Secretary of State on his plan to give local authorities control over local health improvement budgets. Can he say any more about how those reforms will break down the barriers between health and social care?

Mr Lansley: I am grateful for my hon. Friend's question. There is an unprecedented opportunity for local authorities and the NHS to create a much more integrated and effective strategy for health and social care working together. That is partly about focusing on outcomes, partly about listening to patients, and partly about extending personal budgets for patients, so that they themselves can break down such barriers. However, critically, it is also about local authorities exercising the responsibility that we will give them, plus their existing powers in relation to well-being right across their areas, to seal that working together, to deliver better public health and better integration between their social care responsibility and NHS commissioning plans.

Tony Lloyd (Manchester Central) (Lab): Without any shame, the Secretary of State is introducing an internal market in the health service. In that context, how will he guarantee that GPs will not look for cheaper medicine rather than better medicine?

Mr Lansley: Because patients will have increased choice—[Hon. Members: "How?"] Because patients will make their choices on the quality of service they receive, because the service will be free to them.

Dr John Pugh (Southport) (LD): The coalition agreement pledges to introduce true local democratic accountability through citizens actually being elected on to a health board. What can the Secretary of State do to persuade me—because he has not so far—that we will have local citizens, not doctors, making any decisions about the shape and configuration of local NHS services other than in public health, and will any of them be consulted about his structural changes or allowed to do things differently locally?

Mr Lansley: Yes. I feel very strongly that we have deliberately set out to improve local democratic accountability and we have found an effective mechanism for doing so. Local authorities will themselves have statutory powers to agree local strategies that encompass not only local health improvement, but the commissioning plans and the social care commissioning strategies locally. If a major service change is contemplated as a consequence, the commissioning consortiums will not be able to proceed without the agreement of the local authority through its joint strategic assessment. The White Paper makes it clear that if they do not agree, the local authority will continue to have the capacity to send the proposals to the independent reconfiguration panel and, if necessary, to the Secretary of State.

Austin Mitchell (Great Grimsby) (Lab): May I tell the Secretary of State that north-east Lincolnshire has developed an effective care trust plus, which worked with the local authority to link care and health in exactly the way that he proposes, but the effect of his proposals on that trust will be to deprive it of most of its functions and cause it to issue redundancy notices to most of its staff. Has he heard of the old adage, "If it ain't broke, don't fix it"?

Mr Lansley: It is broke, and we are fixing it. We are fixing it because primary care trusts have not succeeded in delivering the outcomes that we are looking for, and they have consumed an enormous amount of money. I remind the hon. Gentleman that in the last year, at a time when we knew that there was a financial crisis facing the public sector and that the NHS would have to deliver more for less, the strategic health authorities and primary care trusts increased their management costs—not their spending on patients—by 23% in one year. It was outrageous.

Jeremy Lefroy (Stafford) (Con): I thank my right hon. Friend for his statement. As he will know, concerns were expressed about the role played by Monitor in the authorisation of the Mid-Staffordshire NHS Foundation Trust. Does he have any plans to beef up Monitor's role and ensure that it plays a better role in the future in the authorisation of trusts?

Mr Lansley: Yes, and hon. Members will see in the White Paper the way in which we can strengthen the role of Monitor. It is not just about the authorisation processes for foundation trusts, but a continuing responsibility for the quality and standard of care being provided in all our trusts, NHS trusts or foundation trusts. It is important to focus on quality, on what constitutes quality and on ensuring sufficient incentives to support quality. In addition, I hope that some of the lessons that will be learnt from the inquiry being conducted by Robert Francis QC will inform how we can put a better system in place.

Paul Flynn (Newport West) (Lab): How much will be created in additional bureaucracy and new costs by dumping on GPs tasks for which they are not trained?

Mr Lansley: The hon. Gentleman has not talked to GPs across England who are keen to take on this responsibility. In the process, we will reduce the costs of bureaucracy in the NHS by more than £1 billion a year.

Nick de Bois (Enfield North) (Con): Does the Secretary of State agree that where moratoriums are in place, practising GPs should be encouraged to seize the opportunity to determine the future of hospital accident and emergency departments, as with Chase Farm hospital in my constituency?

Mr Lansley: Yes, I very much agree. As he knows, his local GPs, patient representative groups and the local authority are already demonstrating how they can come together to devise the right solutions for the people of Enfield and the district around Chase Farm.

Valerie Vaz (Walsall South) (Lab): The Secretary of State talks about choice in the NHS, but could he confirm that GPs will be given the choice to join a consortium?

Mr Lansley: GP practices will all have to be members of a consortium, otherwise it will not be possible for them collectively to commission emergency and urgent care, and they will need to do that.

Clive Efford (Eltham) (Lab): The Secretary of State seems to misunderstand one thing. When patients go in to be treated by a GP, they expect to get the best possible treatment available. The Secretary of State said in an earlier answer that he would expect patients to have the knowledge of drugs to be able to determine whether a GP was supplying cheaper or better drugs. What local accountability will there be of GPs, what resources will be put into HealthWatch networks, what resources will be left available for local health improvement budgets, and what teeth will local authorities have to impose local health plans?

Mr Speaker: Order. That was four questions, to which one answer will suffice.

Mr Lansley: The answer is that I said no such thing as what the hon. Gentleman suggested, and the record will show that.

Harriett Baldwin (West Worcestershire) (Con): I welcome the fact that my right hon. Friend has said that an extra £20 billion will be going into patient care by 2014. Can he clarify how much more that is under our Budget, compared with Labour's Budget, which would have cut the NHS budget?

Mr Lansley: My hon. Friend is right. It appears that the Labour party's policy is to cut the NHS. Our policy is to do something that Labour never achieved: deliver greater efficiency and greater productivity in the NHS, not least through the reforms that I have announced. Every penny saved will be a penny reinvested to the benefit of patient care.

Meg Munn (Sheffield, Heeley) (Lab/Co-op): Sheffield is one of the areas that already has GP consortiums. They have been developing their relationships with the primary care trust and are now starting to make progress. What guarantee can the Secretary of State give to my constituents that today's unwanted change will not set back that process and not cause significant problems with the progress that has already been made?

Mr Lansley: It is not an unwanted change. All over the country, GPs themselves have resisted the concept that they do what the primary care trust tells them to do, when they are better placed to design services on behalf of their patients. They can, and I know that the GP commissioning consortiums in many places will want to take on board the key teams in primary care trusts that they think would help them deliver commissioning. However, GP commissioning consortiums will not be required to do so, although they will be required to deliver better outcomes for their patients.

Charlotte Leslie (Bristol North West) (Con): If hon. Members speak to GPs and professionals, who do not just sit here and talk about the NHS, but actually run it, day by day, they will find that it is not change or the White Paper that has caused demoralisation, but the machine-gun fire of targets and the monolith of management. The reason why that has caused so much demoralisation among the work force is that target box-ticking is so often different from the provision of quality care, as we have tragically seen in Staffordshire. Can my right hon. Friend reassure me that his reforms will mean that box-ticking is replaced by quality of care?

Mr Lansley: My hon. Friend is absolutely right and expresses her point superbly. The process is going to be about quality, not tick-box targets, and it is going to enable the front-line staff of the NHS to have not only access to the resources that they need, but the power to use them more effectively.

Fiona Mactaggart (Slough) (Lab): Who will have the legal responsibility for delivering the Secretary of State's welcome promise of a health care service free at the point of delivery? If we have expensive patients who are not being well treated by the GPs, what resource do we have, as Members of Parliament representing the interests of those patients?

Mr Lansley: The hon. Lady will see, in the White Paper and the subsequent legislation, the continuation of the existing legal framework, which does not allow additional charges to be levied inside the NHS.

Derek Twigg (Halton) (Lab): It is interesting that the Secretary of State said in the statement, "We will allow any willing provider to deliver services to NHS patients". Does he rule out any area of services in the NHS where private providers will be able to provide services?

Mr Lansley: I am adopting an any-willing-provider policy that was the policy of the hon. Gentleman's Government, until the shadow Secretary of State abandoned it in September 2009 at the behest of the trade unions. I am adopting a policy designed to achieve the best possible care for patients by giving them access to all those who will deliver NHS services within NHS prices.

Dr Daniel Poulter (Central Suffolk and North Ipswich) (Con): Is my right hon. Friend aware that Hartismere hospital in my constituency was closed by Suffolk PCT, while at the same time, the PCT was able to afford to spend £500,000 on opening a new car park for managers? Does he agree that community hospitals such as Hartismere are still a valuable part of health care and that the White Paper might see a return to valuing them once again?

Mr Lansley: I am grateful to my hon. Friend for that question. I did in fact visit Hartismere hospital with his predecessor, and I entirely sympathise with his point. At that time, the primary care trust in his part of Suffolk was regarded as "initiative central". It had to pursue every initiative from the Department of Health, and the money just went out the door. Those initiatives lasted just a year or two and then disappeared. That is

not the basis on which to design the national health service. GPs are an excellent basis for this work because they are committed to their areas, and to the patients they look after, in the long term.

Alan Keen (Feltham and Heston) (Lab/Co-op): If the Secretary of State is correct in saying that we need clinicians and GPs to have more influence and even control over the commissioning process, will he explain why he does not simply legislate for them to take over the current trusts? That would achieve his aim immediately, and if any inefficiencies appeared and changes to the management commissioning structure were needed—whether in the present PCTs or following reorganisation—they could take place after a period of time. Instead, these slash and burn proposals are going to cost millions of pounds and cause a lot of disruption.

Mr Lansley: The simple answer is because GP commissioners want to create their own commissioning consortiums according to their own needs and local circumstances. They do not want to be saddled with the legislative structures and costs that currently bedevil primary care trusts.

Rachel Reeves (Leeds West) (Lab): In my constituency, a local charity called Healthy Living Network Leeds is commissioned by the PCT to provide health services in the most deprived areas, including among the Traveller community. What guarantee can the Secretary of State give to my constituents that those community-based health services will continue, and that they will be overseen to ensure that those treatments continue in the most deprived areas?

Mr Lansley: The answer is that GP commissioning consortiums will have a responsibility that goes beyond their registered patient population, and that when they set out their commissioning plans, those plans will have to be agreed by the local authority. In the hon. Lady's case, Leeds city council will have a responsibility to ensure, through its health improvement plan and through NHS commissioning, that the needs of groups such as Travellers are properly met.

Sajid Javid (Bromsgrove) (Con): My right hon. Friend will know that community hospitals, including The Princess of Wales community hospital in my constituency, have been under threat because of the policies of the previous Government. Does he agree that these new initiatives will make it more likely that local communities will take back control of their health care?

Mr Lansley: Yes, exactly. Last Thursday I was in Cumbria, and that is exactly what has happened there. The GP commissioners have collectively taken over responsibility for the Cockermouth community hospital. Instead of its being run down, as was intended, they have built it up as a base from which they are providing services for their area.

Andrew Gwynne (Denton and Reddish) (Lab): Given that not all primary care trusts are coterminous with local authority areas, how will the public health aspect of the reorganisation be dealt with in areas such as Tameside and Glossop? It will not be as simple as just moving functions across to a single local authority in an area where a single health economy is greater than just one district.

Mr Lansley: As I am proposing to abolish primary care trusts, the problem of a lack of coterminosity will no longer apply. Health improvement plans, led by local authorities, will be set out on a basis consistent with many of the other services that make a significant contribution to delivering the kind of health and well-being that we are looking for.

Emma Reynolds (Wolverhampton North East) (Lab): Wolverhampton primary care trust, working closely with GPs, has been at the forefront of driving improvements throughout Wolverhampton. For example, there has been a reduction in teenage pregnancies and in infant mortality. What evidence does the Secretary of State have that GP-led consortiums will be better placed than primary care trusts to carry forward further improvements in those areas, which affect the poorest communities in my constituency?

Mr Lansley: There is good evidence that physician-led commissioning of services for patients is very effective. Precedents in this country and across the world have shown that. The hon. Lady mentioned teenage pregnancy and infant mortality, and this is principally about the relationship between NHS services and wider public health services. Given such responsibility, I am sure that the local authority will be able to deliver local health improvement strategies that will impact on those factors more effectively than has been possible with the NHS doing it solely using NHS services and resources.

Chris Leslie (Nottingham East) (Lab/Co-op): If the Secretary of State is going to force GPs to spend all this extra time on bureaucracy and managing the NHS, does it not mean that they will have less time to spend with their patients? Is that the reason why he scrapped patients' right to see a GP within 48 hours?

Mr Lansley: Many GPs will find that they spend much less time trying to negotiate services for their patients through a PCT and NHS bureaucracy that get in the way. Of course GPs are operating collectively in a commissioning consortium, and I am not going to turn them into individual managers. Some GPs will be leaders—I am looking for clinical leadership—but they will also look for commissioning support. They can derive that from existing primary care trust teams if they think they are doing a good job; they can do it via local authorities or from independent sector providers of commissioning services as well.

Joan Walley (Stoke-on-Trent North) (Lab): Does the Secretary of State not realise that there are greater health inequalities in some parts of the country, as in Stoke-on-Trent? Can he explain how this new arrangement of GP-led commissioning is going to deal with those health inequalities? Is it all going to be rolled out at one and the same time, or will there be pilot projects as part of a rolled-out programme? How is he going to ensure that health inequalities are dealt with, when local authorities in Stoke-on-Trent have to make £70 million of cuts over the next three years? How is it all going to be provided for?

Mr Lansley: It would be a good idea if Labour Members at least acknowledged that over the last 13 years health inequalities have widened in this country. We have not achieved health outcomes here that are at least as good as the European average, and in some respects regarding some diseases we are among the worst in Europe. We are going to turn this around. In order to do so, we are going to work not only with national strategies but with local strategies that are geared towards identifying those health inequalities and that expressly set out to reduce inequalities by looking beyond the NHS. Local authorities, the NHS, social care, the community and the voluntary sector will work together to make it happen.

Alison Seabeck (Plymouth, Moor View) (Lab): The right hon. Gentleman talks about empowering GPs—some willingly and some unwillingly, I suspect. Some of them will need upskilling and training in order to understand the new process. What assessment has he made of the time GPs will need to devote to their training, and that of their staff, and of how much it will cost—or will GPs themselves be expected to pay for it?

Mr Lansley: I wonder whether the hon. Lady has met doctors in Devon. I have been to their local medical committee conference and discussed these issues with them. They are keen to go. If there was any difficulty, it was that at least one Plymouth GP had very high referral rates. I do not think he had ever checked those rates with his colleagues. It was interesting to hear them talk to one another. It became perfectly obvious that peer review—that sense of working collectively to manage services in an area—is going to hold GPs to account very effectively within consortiums as well. *[Interruption.]* The hon. Lady and all her colleagues completely underestimate the capacity of general practitioners, who are responsible for the overwhelming majority of patient contact in the NHS, not only to take on the responsibility of deciding whether they should incur the expenditure for the referrals they make but to have a say in designing those services.

Points of Order

4.38 pm

Helen Jones (Warrington North) (Lab): On a point of order, Mr. Deputy Speaker. You will be aware that the Secretary of State for Education today issued his fifth list of schools affected by the cancellation of the Building Schools for the Future programme. That list was not available to Members until 2.35 pm—after the first question on Building Schools for the Future had been taken at Question Time. Is there anything you can do to ensure that Members have the right information in front of them before we debate these issues?

Mr Deputy Speaker (Mr Lindsay Hoyle): The hon. Member has made the point that it would have been beneficial if this information had been in place before Education questions. She has now put the point on the record, so it can be taken into account.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): On a point of order, Mr. Deputy Speaker. In the statement on the White Paper, the Secretary of State for Health asserted in response to a question from my hon. Friend the Member for Wolverhampton North East (Emma Reynolds) that there was evidence that GP-led commissioning was superior in outcomes to PCT-led commissioning. Am I right to assume that the Secretary of State will either substantiate that assertion in a letter to the Member concerned or by lodging substantiating information in the Library?

Mr Deputy Speaker: We have already had our debate on that issue and we cannot carry on with it now. It is not a point of order for the Chair.

Finance Bill

[1ST ALLOCATED DAY]

Considered in Committee

[MR LINDSAY HOYLE *in the Chair*]

Ordered,

That the order in which proceedings in the Committee of the whole House on the Finance Bill are taken shall be: Clauses 1 and 2, Schedule 1, Clause 3, Schedule 2, Clauses 4 to 6, Schedule 3, Clause 7, Schedule 4, Clause 8, Schedule 5, Clause 9, new Clauses, new Schedules, Clauses 10 and 11.—*(Mr Gauke.)*

Clause 1

MAIN RATE OF CORPORATION TAX FOR FINANCIAL YEAR 2011

4.40 pm

John McDonnell (Hayes and Harlington) (Lab): I beg to move amendment 11, page 1, line 6, at end insert—

'(2) Subsection (1) shall not have effect unless the Chancellor of the Exchequer has laid before the House of Commons a report on the extent of avoidance and evasion of corporation tax and on the measures he proposes to take to ensure the payment of tax which is due.'.

I almost feel like apologising for returning to the issue of tax evasion and tax avoidance, which I have pursued for a number of years since the debate that we had about the merger of Inland Revenue and Customs and Excise to form Her Majesty's Revenue and Customs. The amendment is fairly straightforward in seeking that a report be prepared by the Chancellor of the Exchequer before corporation tax and capital gains tax measures are agreed by the House. I will not repeat myself in relation to amendment 12 to clause 2, although I will move amendment 12 formally. We have argued consistently about how to tackle evasion and avoidance and the investment required to do so.

Let me explain the rationale behind the amendment. I listened to the Second Reading debate into the early hours, including the discussions about Randalls of Uxbridge, which were enlightening at that point in time—

Mr Kevan Jones (North Durham) (Lab): Refreshing even.

John McDonnell: As my hon. Friend says from a sedentary position, the discussions were refreshing, to say the least. I think there is another sale on at the moment.

The debate was about how to resolve the deficit that has arisen as a result of the credit crunch and the economic crisis that we face. Clearly, the division was around the level of reductions in public expenditure required and the time scale for their implementation. There was fierce debate about the level of public expenditure decreases and their implications for jobs losses, cuts in services and the impact on communities.

What was absent from the debate was a discussion of increasing tax revenues as an alternative to cuts. Everyone appreciated that the deficit needs to be reduced. There was some agreement, even across Benches, on some cuts, particularly with regard to ID cards and, perhaps, Trident. With regard to cuts in education and welfare benefits, however, there were strong differences. We need to look again at tax avoidance and evasion. There has been confusion about definitions in previous debates. Tax evasion is defined closely as the illegal non-payment or under-payment of taxes, usually resulting from the making of false declarations, or from no declarations of taxes to tax authorities, and can result in legal penalties. Tax avoidance is seeking to minimise a tax bill without deliberate deception, but contrary to the spirit of the law.

Mr Jones: Does my hon. Friend agree that many people who will face the harsh effects of the proposed cuts will not be able to understand the difference between the two?

John McDonnell: The difference is clear with regard to legality and illegality. The technical implementation of tax legislation can be complex, so people can misunderstand which side of the fence they fall. During earlier debates in the House, the Denis Healey quote was cited that the difference is a prison wall. The implementation of measures to tackle tax evasion in particular is critical to the sound management of public finances and, obviously, to probity in the management of tax resources.

Mr Andrew Love (Edmonton) (Lab/Co-op): Does my hon. Friend agree that avoidance and evasion are the same to the extent that, in the context of both, it will take a motivated and full work force at HMRC to deliver the benefits that the Government supposedly seek?

4.45 pm

John McDonnell: I agree wholeheartedly. I shall say more about that shortly, because it is one of the issues that we raised—I think—four years ago at the time of the merger of the departments. We hoped at that stage for a more detailed report on personnel management and the number of staff who would be employed to deal with tax evasion in particular.

The fact that Her Majesty's Treasury does not distinguish between evasion and avoidance in its global figures suggests that the Treasury itself finds the distinction difficult to define. I tried to find a clear Treasury quantification of what is generally described as the tax gap in order to draft an amendment that would have some purchase in the real world, especially the world of Treasury practice.

Lorely Burt (Solihull) (LD): I am interested in the discussion of avoidance and evasion, but does the hon. Gentleman not agree that neither problem has been improved by his own party's complication of the tax rules, to the extent that ordinary people require a professional to help them to interpret those rules?

John McDonnell: Complication is certainly an issue. That is partly why I want the Chancellor to report to the House on the measures that will be used to tackle tax evasion and avoidance. We need a simplification of the process, but we also need to know how many staff the Government will employ for collection purposes.

Mr Love: I thank my hon. Friend for being so generous in giving way. Does he agree with the Institute for Fiscal Studies that the terms of the Budget are likely to make

[Mr Love]

the tax system more complicated, rather than introducing the simplicity that the Government claim is one of the objectives of their Budget?

John McDonnell: Let me say as objectively as I can that I have not yet seen a Budget that simplified the taxation system, and I have been here for 13 years. I live in hope, which is why my amendment requests a further report that might indicate the path that the Government intend to take. I am merely a humble seeker for truth in this matter, as always.

I investigated various sources in my search for estimates of the tax gap. The latest HMRC estimate that I could find was £40 billion, but there is an element of uncertainty reflected in a reported memorandum circulated to staff in HMRC and the wider Treasury, asking people to come up with ideas for identifying and calculating the gap.

The HMRC estimate has been challenged by others. I chair a group called the Left Economics Advisory Panel, which brings together a number of Left economists including some who have been working with the Tax Justice Campaign. Over the years many Members will have worked with Richard Murphy and John Christensen, who are held in respect across parties because of the work they have undertaken in this sphere, and the advice that they have given to the Treasury and other organisations for a number of years. According to their estimate over the past year, the tax gap could be anything between £70 billion and £120 billion.

Mr John Redwood (Wokingham) (Con): If the gap is so enormous, can the hon. Gentleman explain why 13 years of Labour government did not close it?

John McDonnell: I can only say that that is one of the reasons why I have raised the issue so consistently. I hope that some Government will address it, and will do so effectively. It is also why I have sought to amend the Bill in a consensual way. All I am asking is for the Treasury to produce a report setting out our best current estimate of the extent of avoidance and evasion, and to propose measures that the Government could take. That would be a way for the Government to demonstrate that they are taking the issue seriously and tackling it.

There have been other estimates of the tax gap that go beyond that of Richard Murphy, some of which are as high as £150 billion a year. Interestingly in respect of the Treasury's £40 billion figure, it estimated in a table it published earlier this year that corporation tax accounted for 16% of its tax gap and that capital gains tax along with national insurance contributions and so forth accounted for 6%, so the taxes this particular amendment addresses are significant contributors to the tax gap.

I fear that unless this issue is addressed we will continue to have a sterile debate in the House about cuts in public services, whereas if we tackled the tax gap we would avoid a significant amount of the public service cuts that will impact upon all our communities. I therefore urge that we have a serious debate and that the Treasury produces a report quantifying more exactly the levels of tax avoidance and tax evasion, and that we then look at possible measures—including, I agree, on simplification. Issues to do with what resources we apply to tackling tax evasion and avoidance are also of relevance, however, and that comes down to staffing.

Dr John Pugh (Southport) (LD): Should we not recognise that tax avoidance and tax evasion are two very different things, and that although we can make a rational guess as to the extent of the former, tax evasion that is successful is not detected at all and therefore any estimate of it must be highly speculative?

John McDonnell: I fully concur, which is why I think that HMRC must apply a lot more resources to tackling quantification. The estimates I have been given range widely from the £40 billion from the Treasury for both avoidance and evasion—its figures do not distinguish between them—to the £25 billion from the TUC solely for tax avoidance, to the higher estimates of anything between £70 billion and £150 billion for both evasion and avoidance. I know that Richard Murphy in particular has focused on evasion, which could account for anything between 40% and 60% of the budget deficit—the structural deficit as well—that this House has recently been debating, and dividing on almost unnecessarily it seems to me.

Andrew George (St Ives) (LD): I congratulate the hon. Gentleman both on raising the issue and on the manner in which he is doing so. He has made it clear that he has raised it under two Governments. Putting aside the tribal aspects of the debate, I agree that we need to bear down on this issue, and I have asked parliamentary questions on evasion and avoidance that are due for answer today. Does the hon. Gentleman agree that it is to be hoped that once we understand a great deal more about this issue, we will be able to close the loopholes, and address other issues such as where Treasury officials go and work after they leave the Treasury?

John McDonnell: I fully agree.

I have not included any reference to VAT, which is one of the largest areas of tax evasion and avoidance. Interestingly, it appears from the responses we have had over the years from the Treasury that it uses different methodologies to calculate the different forms of evasion and avoidance for particular taxes. I find that extremely confusing.

The amendment has been described as not tribalist. Well, I am a tribalist, but I am trying not to be on this issue; instead, I am being as consensus-seeking as I can be. Even though I come from a class-based politics, I am trying to come at this from a straightforward administrative perspective, asking how we can arrive at a situation in which HMRC will report to the House—to the Chancellor of the Exchequer—on the extent of evasion and avoidance and the measures that are going to be pursued. The reason why I am making a link to the changes in tax measures is that I want there to be a time limit, so that we get a report back to the House; otherwise, this situation will continue year after year.

This issue does relate to that of staffing, which I raised with the previous Government and am raising with this one. I chair the cross-party PCS trade union group in Parliament, which regularly meets PCS members who work in HMRC and who are tax inspectors. It is clear that they have performed an excellent service to our country over the years, and their productivity has been increasing year on year. However, over the past three years job cuts totalling 12,000 within HMRC have been announced that specifically affect staff involved in

tax generation. At a time when we are desperately trying to tackle the deficit through measures other than reductions in public expenditure and cuts in public services, we could do that by tackling tax evasion and tax avoidance. However, at the same time, we have the prospect of another 12,000 jobs being lost within HMRC.

Mr Redwood: If a constituent of the hon. Gentleman's had a deposit in a savings product that was paying interest, on which they were paying tax, and they switched that into a tax-free national savings product, would that be tax avoidance or sensible investment?

John McDonnell: That is an interesting point. Tax compliance should be a duty in law, so there should be a requirement on us all to pay our appropriate level of tax. Tax planning is perfectly consistent within the law and is appropriate for individuals and organisations in order to ensure that they pay the appropriate tax. However, such devices should not be used to avoid paying the rightful level of tax and certainly should not be used for the purposes of tax evasion, which is the illegal avoidance of tax.

As I was saying, my concern is that, just when we need staff to tackle tax evasion and avoidance, we are faced with the previous Government's plan for a further 12,000 job cuts within HMRC. I urge the new Government to review the matter and to look again at the staffing level that will be required if we are seriously to address tax evasion and avoidance. That is another reason why my amendment calls on the Chancellor of the Exchequer to lay before us a report that sets out the measures he proposes to take

"to ensure the payment of tax which is due".

In devising those measures, appropriate discussions will need to take place about the level of staffing and the qualifications and abilities required of such staff. Such factors will militate against the scale of job cuts that have taken place.

On another issue, but one that has certainly been close to the hearts of several Members over the past two years, such measures will need to take into account not just staffing levels but staff location. The closure in recent times of local tax offices has reduced HMRC's ability to respond to tax evasion and tax avoidance on the basis of local knowledge, and to assist local companies and individuals in proper tax planning so that they can comply with the law. I request that any report that the Chancellor introduces deal with the implications of the closure of local tax offices and, therefore, the appropriate location of the staff themselves.

I have tabled two amendments, the first of which, amendment 11, deals with corporation tax.

Mr Love: Does my hon. Friend agree that any such report dealing with HMRC must also deal with the difficulties that arose on the amalgamation of Revenue and Customs because of the very different cultures within those organisations? We really must address those difficulties, which still reverberate around the organisation, even at this late stage.

John McDonnell: I appreciate the point that my hon. Friend makes. I accept that there have been issues relating to a new department settling down over time, but I want to pay tribute to the staff involved for the excellent job they have done in the set-up of the new organisation, for the flexible way they have worked and for the co-operation that has worked across past agencies as they have come together. I accept that that might be an issue and it could be referred to.

I will not repeat the same speech when we deal with amendment 12.

5 pm

Sajid Javid (Bromsgrove) (Con): May I say that there seems to be a big confusion between tax evasion and tax avoidance? The hon. Gentleman keeps referring to "avoidance and evasion" and treating them in almost exactly the same way. Clearly one of them, avoidance, is entirely legitimate—it is a basic human instinct for someone to try to hold on to more of their own money, which they have earned through their hard work—whereas the other, evasion, is an illegal activity. Would he not do well to focus on what might be the issue, rather than trying to confuse it?

John McDonnell: I understand the point that the hon. Gentleman is making. My amendment tackles tax evasion, which is clearly an illegal activity, but we need to address a wider issue that goes beyond the normal tax planning: tax avoidance beyond the spirit of the law. In previous debates, we have tried to insert into the tax laws of this country a general duty of tax compliance, which exists in other countries. Such an approach puts an onus—as a duty in law—on the individual to comply and to try to emphasise that duty, rather than to look for every possible means to avoid tax. There is a gradation in these matters, but I tackle both these things because they are both legitimate concerns in wider society and will become increasingly pressing ones as individuals experience the public expenditure cuts that will take place as we seek to tackle the deficit.

Stewart Hosie (Dundee East) (SNP): The hon. Gentleman is making his case extremely well, but surely he should be pushing at an open door, given that the Red Book itself talks about changes

"to prevent avoidance of corporation tax using accounting 'derecognition' rules".

It also discusses tax avoidance involving "the creation" of certain things "for corporate investors", and mentions alternative investment funds, financial securities, inheritance tax on trusts and so on. There is also the possibility of a general anti-avoidance rule, as this is being considered informally by this Government as we speak.

John McDonnell: That is why I was hoping my amendment would achieve consensus in this House, although that might be a first for me. I was hoping that it went with the flow of Government policy, as well as with past Government policy, if not with past practice under successive Governments. A number of practices of tax avoidance clearly incur public opprobrium. The hon. Gentleman has cited a number that are listed in the Red Book, but there are others. These are seen as instances where people are not doing the right thing within the spirit of the law, which is why, no matter how difficult it can be at times, we can identify practices that fall within either tax evasion or tax avoidance by the practical response from the community.

[John McDonnell]

This is an issue whose time has come, particularly because of the current financial climate. There is clearly a concern among Members in all parts of the House about tax evasion and tax avoidance, and there will increasingly be concern about it in the wider community. Therefore, my simply asking for the Treasury to produce a report before this latest round of taxes are implemented—this would give an element of timetabling and immediacy to the proposals that will be introduced by the Treasury—is nothing but helpful and will be seen in the wider community as actually getting the Treasury to examine this issue with some seriousness in a way that may not have been happening under previous Administrations of all political parties. I cannot see how anybody could vote or argue against this, but I shall sit down and wait for the argument to come.

Several hon. Members *rose—*

The Chairman: (Mr Lindsay Hoyle) I call Karl McCartney. May I just remind Members that this is a maiden speech?

Karl McCartney (Lincoln) (Con): Thank you, Mr Hoyle, in your role as Chairman of Ways and Means and as the House sits in Committee to consider the amendments to this Finance Bill, for allowing me the opportunity to make my first speech in the House.

I intend to comment on two matters of importance today: the amendments to the Finance Bill and Lincoln, the constituency that I have been elected to represent. Before I discuss either matter, however, I want to pause to pay tribute to my parents, John and Brenda McCartney, who are here in the Gallery, along with my wonderful wife, Cordelia. I am pleased that she is still here, as I am indebted to her for so much, not least our two sons, Henry and Freddie.

Let me now return to the Finance Bill. What concerns me most is the lack of support for long-term share ownership that is eminently displayed by the current capital gains tax regime, which, ironically, now seems to be based on principles that are at odds with how we are to treat banker bonuses whereby an increasing proportion of their compensation is compulsorily taken in shares of their employing parent company. That has the quite admirable aim of encouraging actions that have at their centre the long-term interests of the companies for which they work. This is commendable.

Less commendable is the loss of taper relief, which encourages long-term share ownership and investment. Surely many on both sides of the House see the retention of taper relief as desirable. Also less commendable is the loss of indexation relief. Following a change introduced by the previous Government, payers of capital gains tax will continue to be taxed on illusory gains. A simple example might help to explain my concern. Let us say that the average price for a pint of beer is £2.50. Instead of buying a pint, one could invest that £2.50. If inflation averages 7% per annum for five years and the investment keeps pace, the beer will have risen in price to £3.50, as will the value of the investment. The investor would therefore expect that the investment would still buy a pint, except that it would not, because 28% capital gains tax would have to be paid and the investment would therefore be worth only £2.50 net of tax. That is clearly inequitable. Given the widespread acceptance that short-termism from investors is a problem faced by businesses up and down the country that are trying to attract capital for start-up funding, working capital and expansion, surely that is short-sighted.

I know that this matter is important to a number of people who are resident and work in the city of Lincoln. My fellow constituents are industrious and hard-working, and many of them either own their own business, want to start their own business or work for a small family-owned business. They know the importance of access to capital as an owner, a manager or an employee. Enabling measures that encourage investment is surely what this House should be about. What we have in place now enjoys the invidious merit of achieving the exact opposite and I hope that my senior colleagues will rethink these issues at the earliest opportunity. I know that we are where we are because of the utter mess bequeathed to us by Labour in the last Government, so I hope that as soon we have rebalanced the nation's finances, we can reverse these measures, if we cannot do so now.

Let me now say a few things about the history of Lincoln and some of the main issues that affect the constituency. I shall summarise my thoughts and areas of interest, as well as detailing my predecessors and the military links that the constituency enjoys.

It is a privilege and an honour to represent the constituency of Lincoln. When I first embarked on the long and arduous B-road to selection, reselection and election, I did not imagine that I would have the privilege of representing such an ancient, traditional and famous constituency as Lincoln. I aim to show my constituents that they chose wisely, as a Jedi might say.

Lincoln is not just another name in the list of 650 constituencies. It is a city that plays and will continue to play a pivotal role in our nation's democratic tradition. Naturally, I am proud to represent Lincoln and, as hon. Members might know, it is one of the oldest constituencies in the country. The Romans quartered a legion in the city and Edward III presided over a Parliament in our cathedral. The cathedral, which is one of the glories of English architecture, dominates the city and a large swathe of Lincolnshire. It is still as impressive today as when it stood as the tallest building in the world for 238 years—the only building in the UK ever to have held that title. If my Government ever feel the need, I am sure that Lincoln will be willing again to host a meeting of Parliament or of the Cabinet at a date of their choosing.

Although I am not an historian, I can safely reveal to hon. Members that the historical evidence for Parliaments before 1295 is quite patchy. Lincoln and York head the list of towns summoned to send Members in 1265 and, with the recent splitting of the city of York into two seats, it would seem that Worcester and Exeter appear alongside Lincoln in having a possible claim to being the oldest continuously existing borough constituencies.

Lincoln has so much more to commend it as a destination and as a place of history and worship than its two equally ancient constituencies. The cathedral is stunning and has proved a welcome sight and landmark for many travellers over the centuries and for our brave airmen in Bomber Command during the second world war. Lincoln is also home to one of only three existing original copies of the Magna Carta, the foundation of British, and therefore world, democracy. With our new

Government's plans for a great repeal Bill, we can see the relevance that the Magna Carta still has today, nearly 800 years after it was signed.

The city's MPs have included the redoubtable Dick Taverne, who continues to sit in the other House, and the right hon. Member for Derby South (Margaret Beckett), originally Miss Margaret Jackson in Lincoln, eventually Mrs Beckett. More recently, I am honoured to follow in the footsteps of the last Conservative Member for Lincoln, Sir Kenneth Carlisle, who served happily between 1979 and 1997 and for whom there is a mutual, deep affection for and from the city of Lincoln and its people. My direct predecessor was Gillian Merron, who worked hard for constituents and was incredibly photogenic, appearing in our currently daily paper with regularity—something that I fear I will not be able to emulate, not least because many of my friends say I have the perfect face for radio.

The people of Lincoln and Lincolnshire are proud to be yellow-bellies—a hark back to the original Lincolnshire "Poachers" Regiment, which is now part of the Royal Anglian Regiment, some of whom I met earlier today out in Westminster yard. They serve us well abroad and in many fields of conflict, and I know that the people of Lincoln are immensely proud of them and all the armed services associated with our city, which is linked with the RAF and the Grenadier Guards.

As well as the city, my constituency covers the lovely villages of Skellingthorpe, Bracebridge Heath and Waddington, where the RAF is based. RAF Waddington is one of the busiest and most varied operational air bases in the United Kingdom, as well as one of the longest established. It has played an important role in the defence of the country and in supporting and servicing our armed forces. Soon, Waddington is due to become the home of the Red Arrows, who are another well-loved and appreciated aspect of Lincoln life as we are often treated to their practice sessions in the skies above our city.

Despite its wealth of attractions both historical and current, Lincoln has poor transport links that have worsened over recent years. There is now, unfortunately, only a post-election promise of one direct rail link to London and there are inadequate connections to other places. The A46 is soon to be dualled from Nottingham to Newark and the knock-on effect might be that the A46 single carriageway and roundabouts that plague our western, and only, bypass might cope even less well than they do now. The only other route is through the centre of our city, using the single carriageway A15 or negotiating our High street with its famous level crossing.

I am not aware of any other city in our country that is being held to ransom by Network Rail, which is currently threatening the city with the closure of that level crossing for up to 40 minutes in the hour throughout the day to allow freight trains that are of no benefit to Lincoln to pass through. Lincoln needs investment in its transport system that will provide a vital benefit to the long-term prosperity of both the city and the whole county, such as the east-west link road that is currently proposed. On all these transport issues, the Secretary of State for Transport and his Ministers can expect continued representations from me and my fellow Lincolnshire MPs, I am sure.

Many experiences, people and types of employment have shaped my life so far, and I am a great believer in being the owner of one's destiny. If individuals feel that the world owes them a living, it does not, but if they are willing to believe in their own self-determination, there are no limits to what they can do. Many individuals from both sides of the House are testament to that philosophy. I now have the opportunity and ability to help to make decisions that affect our nation and to question and challenge them properly in the House, with, I hope, the important addition of compassion. It is a privilege to have that opportunity, in tandem with serving the kind and generous people of Lincoln, who did me such a great service in electing me to represent them in this traditional and great place. Doing my best for our city will be a major preoccupation of mine for as long or as short a time as the people of Lincoln allow me the privilege of representing them in this House.

5.15 pm

Mr Redwood: Let me start by saying a few words about my new hon. Friend the Member for Lincoln (Karl McCartney). I am sure that the House will join me in praising him for his speech and in wishing him every success now that he has joined us here. It is good to hear someone with a radio face with a passionate voice for his constituency. If he continues that, I am sure that his constituents will be well served. It was great to be reminded of the hugely important Lincoln cathedral, which many of us have visited and admired, and of the fact that Parliaments were once more peripatetic. In those days, there was probably less security and fewer people in the baggage train, so it was probably cheaper to take Parliament around the country than it would be today. I fear that he might have quite a long wait before the next Parliament at Lincoln.

We are here to debate tax avoidance and evasion. I listened carefully to the hon. Member for Hayes and Harlington (John McDonnell), but I think that the Committee is pursuing a will-o'-the-wisp if it seriously believes that there is £120 billion of tax evasion and avoidance generally, and that there is substantial tax evasion and avoidance in particular on corporation tax, which we are debating, that we can tackle and get the money in from. Every hon. Member would like to think that there is an easy way out of the financial crisis. If there were a great pot of money representing tax dodging that we could identify and bring into the Treasury, it would have been done by now. It is not a matter of party dispute. If there are tax evaders out there whom we know about, they need to be brought to book—we all agree with that. Labour spent 13 years trying to do it, but the hon. Gentleman does not think that it did it well enough, and is now urging the coalition Government to do it. The coalition Government will pursue it in similar ways, with similar intensity, to the outgoing Labour Government. I fear that they will be no more successful than the previous Government at finding that £120 billion pot of gold because, in all honesty, I do not think that it exists in the form that hon. Members wish that it did.

Let us take evasion—the more serious case. I am sure that everyone in the House agrees that if someone is deliberately evading tax, it is a criminal offence. The House has said that it is a serious offence, and made it a criminal offence, or series of criminal offences, and we wish to see those people pursued and prosecuted. In the case of corporation tax, for example, if a company deliberately misreports its income, and says that it receives less income than it earned—one way of misleading the

[Mr John Redwood]

tax authorities over corporation tax—the book should be straightened, the record corrected, and they should be prosecuted. If the company deliberately overstates its costs to try to suppress its profits—the other way in which people could evade corporation tax, if they were seeking to do so—that, too, should be something that the authorities can identify on investigation, leading to a correction of the accounts. False accounting would be involved, as well as the criminal offence of tax evasion, and there are methods of tackling it. The state has a range of powers, introduced by Governments of all persuasions, to allow company investigation, including second-guessing the audit, and going in if it is thought that crooked directors are misrepresenting their costs or revenues, and the auditors have missed it. I wish my right hon. and hon. Friends the Ministers in the Treasury every success in trying to capture genuine crooks, because we do not need them in our community, and we need to flush them out.

There is another kind of failure to pay the amount of tax that the corporation tax authorities think is correct which, in some people's language, could be evasion. A company may report honestly its revenues and costs, but comes to a different conclusion from the Revenue about what the taxable profit should be, given its income stream and costs. It attempts to understand the complexity of the law—it may well have its own tax advisers and auditors in support, because any medium or large company does not do this in isolation; the directors want the comfort of knowing that they have serious tax experts behind them, because of the complications of the law—and it makes its case to the Revenue, which disagrees with them. I do not think that that should be treated as a severe criminal offence leading to the imprisonment of the directors. What should usually happen—and what tends to happen—is a fierce exchange of views between the Revenue, which is trying for one view of the tax, and the company and its tax advisers with a different view. Eventually, agreement is reached. If it is thought to be a bad case, the Revenue has the power to impose financial penalties as well as to secure the tax that it thinks that it is owed.

Clive Efford (Eltham) (Lab): I am interested in the right hon. Gentleman's train of thought, but will he clarify something? Is he saying that there is no such thing as avoidance of corporation tax, or is he saying that anything that comes about is just the result of a misunderstanding?

Mr Redwood: Has the hon. Gentleman been in the Chamber while I have been talking? The first part of my speech was about bad cases of evasion in which a company has deliberately misrepresented its financial condition. Like him, I think that those cases should be taken seriously, and prosecution should result. I am going on to the second set of cases, in which evasion is thought to have taken place according to the Revenue, but when we look at what is going on there is a genuine disagreement between one group of tax experts, lawyers and company advisers and another lot advising the Revenue, which sometimes needs to consult counsel on these complicated matters to try to reach a conclusion. Such cases are often sorted out slightly more amicably, and rightly so, because the companies concerned were obviously not trying to do down the Revenue but to pay the minimum amount of tax to comply with the law, as most sensible people try to do, and there was a disagreement that had to be sorted out sensibly. That might result in financial penalties or in an agreement not to have financial penalties, but usually the Revenue has a certain amount of strength in having its way.

That is evasion, and then there is avoidance, which is much more problematic. I am sure that billions-worth of avoidance is going on all the time, because it is a perfectly legal approach; one man's avoidance is another man's sensible tax planning. That is why I asked the hon. Member for Hayes and Harlington for an example relating to personal income tax, which is easier for people listening in to this debate to understand. Many small savers switch from tax-paying savings to tax-free savings, which is avoidance of tax, is it not? They realise that they can do better by having a tax-exempt savings product; surely we should not condemn that, because it is about someone trying to get the most for their money. Indeed, that is something that the Government positively encourage. They encourage tax avoidance because they say, "We have the unique power to provide tax-exempt products for savings, and we want you to buy ours rather than the taxed private sector product."

Stephen Timms (East Ham) (Lab): My hon. Friend the Member for Eltham (Clive Efford) asked a telling question, and I am not sure what the right hon. Gentleman's answer is. The question is this: does he deprecate any tax avoidance, or is he saying that as long as it is strictly in compliance with the law, anything goes? As he knows, there have been some very ingenious, and indeed expensive, schemes used by companies to avoid paying tax, clearly contrary to the spirit of the law but arguably in compliance with the letter of the law. Does he not deprecate that kind of activity?

Mr Redwood: I do not want to get drawn into the moral issue of deprecating or not deprecating: what I am interested in is the efficiency of revenue collection and the clarity of the law for the people having to meet it. It is the job of this House to have a clear tax law that people have to follow, and we often have these debates to try to carry out that task. Sometimes tax law is so complicated, or people outside this House are so ingenious, that there are ways round it that I might disagree with and the right hon. Gentleman will often disagree with, and that is when we come back to legislate again. We say, "We haven't done our job well enough. People are avoiding tax more easily than we would like them to be able to, and so we're going to add another complication"—or sometimes even a simplification or clarification—"to the tax law to try to capture that." That is the job of this House. The shadow spokesman and I will sometimes agree that an avoidance scheme goes too far and we need to legislate to stop it; on other occasions, we will disagree. I will say, "That's perfectly rational tax planning—don't be such a party pooper", he will say, "I don't like people getting away with that kind of thing", and we will have our disagreements.

Mr Love: Given the thrust of the right hon. Gentleman's remarks, does he agree with my hon. Friend the Member for Hayes and Harlington (John McDonnell) that cutting the number of HMRC employees by 10,000 might not assist in the process that he is outlining of ensuring that those who take part in avoidance are brought to book?

Mr Redwood: It would clearly be a false economy to cut back on the number of staff needed to tackle serious cases of tax evasion; I do not think anybody wants to do that, and I certainly would not recommend it to Front Benchers. It would also be wrong, however, to exempt Revenue and Customs from pressure to improve efficiency and to do more with less at a time of enormous strictures on public spending. I hope that there will be ways to accommodate the hon. Gentleman's wish for us still to have Revenue and Customs pursuing tax evasion and our coming back to legislate on tax avoidance that it thinks is going too far, as we have under past Conservative and Labour Governments, and that that will be done efficiently and effectively in the way that we wish to see.

John McDonnell: To follow up on the question of my right hon. Friend the Member for East Ham (Stephen Timms), are there any measures that the right hon. Gentleman would consider tax avoidance that should be brought within the purview of Her Majesty's Revenue and Customs, such as the large-scale offshoring mechanisms that corporations use to avoid tax? All that the amendment asks is for a report to be made about the measures that the Government will take on such issues.

Mr Redwood: I do not necessarily disagree about the need for us to consider another report on tax avoidance and evasion, but I am trying to set some of the parameters for that report and the framework of the debate. This is an opportunity to discuss why the matter is difficult, and why past Governments have not lived up to the hon. Gentleman's expectations. I have no problem with having a report, although I do not want to link it to the particular corporation tax rate in clause 1, as his amendment would.

John McDonnell: I am grateful for that response. Successive Governments have pragmatically examined the latest tax avoidance mechanisms and then sought to work through them systematically to address them. The amendment is intended simply to bring forward a report on those mechanisms so that the House can have more oversight of that process.

Mr Redwood: As the hon. Gentleman knows, I am all in favour of more oversight by this House, and the more informed a debate we can have about this and other issues the better. Public debate in Britain has been stifled in recent years for all sorts of political reasons that we need not go into. It is better if we can bring such debates out into the open, but we need collectively to think through what avoidance is and what evasion is. If we do not know that, we cannot hope to guess its scale or optimise our measures for dealing with the features of it that we do not like. I am trying to deal with avoidance, on which I believe there is more scope for disagreement than on evasion, which we are all against.

I return to the point that some people's avoidance is a bad practice and other people's is common sense. Let us take another example of a matter on which the Government encourage avoidance. I gave one from personal tax, but we ought to be concentrating on corporation tax. The previous Labour Government were keen to encourage avoidance of corporation tax because they wanted companies to invest—a perfectly worthy aim. They said to companies, "If you invest more than you otherwise would do, that is an allowance against your corporation tax so that you will be able to avoid some tax in order to invest more." One debate that the Committee will have is whether this Government are cracking down too much on investment avoidance by removing some of that allowance and giving everybody the benefit of a lower rate. I hope that Opposition Members will see that they are not as pure as they think they are on avoidance, and that there are certain types of avoidance that they see as a very good thing. It is a well-known feature of many tax structures to encourage avoidance in order to encourage good works or change conduct.

Mark Tami (Alyn and Deeside) (Lab): The right hon. Gentleman talks about avoidance all the time, but is it not about the Government giving companies incentives to invest, rather than allowing them to avoid tax?

Mr Redwood: The hon. Gentleman has made my point beautifully. I have just said that one man's avoidance is another man's tax incentive—that is exactly the point that I am trying to make. There are good types of avoidance and bad types. Sometimes all the parties in the House agree that a certain type of avoidance is bad, and then it is in our own gift, because we are the legislature, to table business on any day to stop that tax avoidance in its tracks by changing legislation explicitly and clearly to send a signal. At other times we come together to legislate in favour of tax avoidance, because there are things that we wish to encourage. As he rightly says, sometimes the best thing to do is to give people a lower tax bill to encourage such procedures. That is surely encouragement of tax avoidance of a benign kind and a perfectly reasonable thing to do.

Mark Tami *indicated dissent.*

Mr Redwood: The hon. Gentleman shakes his head, but what else is it? Why are people investing more than they otherwise would have done? Because they are allowed to avoid tax and pay less tax than they otherwise would.

Stephen Timms: The right hon. Gentleman is uncharacteristically abusing the English language. To say that something that is explicitly provided for in the law is tax avoidance is not what most people mean by the term.

Mr Redwood: Fine—that is a very good linguistic point, and if the right hon. Gentleman wishes to define tax avoidance more narrowly as actions that we all disagree with, we can do that and it makes the debate much simpler. However, he has to understand that there are a series of grey areas, and it is not a black-and-white matter. There is not a set of actions that everybody agrees are tax avoidance and another set that everybody agrees are perfectly reasonable incentives or sensible ways of paying less tax.

Let us get on to the more difficult corporation tax cases, having dealt with the investment one—everybody in the House thinks that investment is a good thing and that corporations should therefore pay less tax one way or another, either through the rate of tax or through explicit relief.

5.30 pm

Let us consider overseas offshoring, which has already been mentioned. Multinational companies have some flexibility about where they invest, borrow and carry out their activities, and they regard the taxation regime

as one of the important considerations in determining all those matters. If it is benign, they are more inclined to borrow the money, put up the facilities and earn the full profits in the country concerned by carrying out the whole process and adding all the value. However, if the taxation regime is more hostile to enterprise, they might make different arrangements. Any country that takes part in the multinational free enterprise world has a choice. It must decide whether it wants to be tax friendly, in which case it has to allow people to pay rather less tax, or tax tough, in which case those who stay will end up paying more tax, but there will not be so many businesses here, and some will decide to offshore more of their activities.

Offshoring presents a difficult set of cases. I am sure that Opposition Members can find examples of offshoring that we would all regard as unacceptable avoidance, but much other offshoring represents simple, rational business decision making because the country being offshored against does not have a favourable tax regime, and that is why our decisions tonight and on other occasions when we try to settle the corporation tax regime are terribly important to whether our constituents get more jobs, whether our businesses make more money and whether more action will take place here. Companies have many footloose decisions that they can make about where to borrow, where to spend, where to invest, where to create jobs and how much value to add.

I see nothing wrong with more parliamentary accountability and scrutiny. If my hon. Friends have more capacity to produce a report on tax avoidance and evasion, it would be useful. I hope that my remarks have outlined some of the complexities of trying to determine the elements of avoidance that are to be condemned and about which we need to legislate more, and those that are simply common sense, or even tax promotion schemes, which the Government are producing.

I remind the Committee that I have recorded in the Register of Members' Financial Interests that I offer business advice to a global industrial company and to an investment company.

Clive Efford: I pay tribute to the hon. Member for Lincoln (Karl McCartney), who made his maiden speech. Many of us remember his predecessor with great fondness, and we certainly notice the difference in appearance to which he referred. She was a popular Member here, as I suspect that she was in her constituency. I am sure that the hon. Gentleman will do an able job in his time as Member of Parliament for Lincoln.

The thrust of the argument of my hon. Friend the Member for Hayes and Harlington (John McDonnell) is that the House should be able to scrutinise the Government's actions on enforcement of corporation tax to avert some of the severe and harsh cuts elsewhere in public expenditure. The Red Book refers to the need to reduce all sorts of evasion. Indeed, paragraph 1.96 mentions the Government's measures on corporation tax, which a later group of amendments tackles, and states the need to alter the rate of corporation tax to reduce the avoidance of payment. A practice has been created of people avoiding other forms of tax and paying capital gains tax at a lower rate to minimise the amount that they pay in tax. I therefore agree with the thrust of the point that the right hon. Member for Wokingham (Mr Redwood) made that there are times when we need to tweak the tax system to close down loopholes. In that sense, the tax system has historically been like turning a thermostat up and down. We introduce one set of regulations, that area overheats, the thermostat is turned down, another section of the tax system responds and people move in that direction to avoid paying tax.

With amendment 11, my hon. Friend is trying to ensure that the House can hold the Government to account for what they do to fulfil what they say in the Red Book, and thereby ensure that the Government maximise the amount of corporation tax that is paid.

Kwasi Kwarteng (Spelthorne) (Con): Will the hon. Gentleman clarify his basic position? Does he believe that in principle corporations ought to pay more tax than they are paying already?

Clive Efford: The point, on which I believe we are all in agreement, is that everyone should pay the tax that they are due to pay. Amendment 11 proposes not that corporation tax should be raised or reduced, but that it should be paid, that the Government ought to take action to ensure that companies that are liable to pay it do so, and that the House should have the role of providing a check and balance to ensure that the Government are carrying out that function.

Mr Love: Does my hon. Friend believe that there is a tax gap, as I think all Opposition Members do? Whether the gap is £40 billion, £60 billion or £100 billion, it is very significant, and we ought to turn our minds in this Budget to doing something about it.

Clive Efford: I could not agree more. If I were to start listing some of the harsher items in the Budget, such as the £1.9 billion that the Government are trying to take out of housing benefit or the overall £11 billion from the welfare budget, I would risk incurring your wrath, Mr Amess. I would also risk that if I were to point out some of the actions of the previous Government in relation to the medical tests that disability living allowance claimants were forced to go through. The coalition Government, supported by the Liberal Democrats, tell us that things will become even harsher for DLA claimants, so our discussion of minimising avoidance of corporation tax is absolutely relevant.

Stewart Hosie: May I ask the hon. Gentleman to put a number on that? What is his estimate of the value of lost revenue yield as a consequence of the 12,000 Revenue staff lost under the previous Labour Government?

Clive Efford: The hon. Gentleman makes a point that I could repeat. Cutbacks in Her Majesty's Revenue and Customs staff make more distant the target of maximising the amount of tax taken. He may have joined me on the odd occasion when I voted against the previous Government, so we have been on the same side of such arguments from time to time. Some of us are sinners turned saints, and even as a loyal Labour Back Bencher, I might agree with elements of the criticisms of the previous Government.

We have been given instruction in tautology on the question of avoidance and evasion, but we are quite clear that we are talking about people whose actions are

not within the rules. We need to ensure that action is taken so that they pay their fair share, because clearly, the increase in taxation—the VAT increase and other measures—and the cuts will hit the poorest in our communities first. That is why it is absolutely essential that we have discussions such as the one instigated by my hon. Friend the Member for Hayes and Harlington.

Mr George Mudie (Leeds East) (Lab): Does my hon. Friend agree that it would be a shame to let this debate go by without mentioning the activities of Barclays bank, and particularly its capital section? The head reputedly earned £90 million a year. We should consider that amount of money, because that group was set up to find ways for companies to avoid paying corporation tax, or indeed any tax.

Clive Efford: My hon. Friend's intervention needs no comment from me, other than to say that it is an excellent example of the sort of practices that we need to bear down on. We pay a plethora of accountants and financial advisers to advise on how to invest our money wisely, and that is a legitimate area of activity. It is right that people may order their finances within the rules to maximise their income, but if that becomes exploitation or unfair in terms of what people are contributing, we have to act. That is where the amendments that we have tabled on capital gains tax, which we will discuss later, come in.

The hon. Member for Dundee East (Stewart Hosie) mentioned the cut in tax staff, and if we are going to see substantial cuts in staff, it will make it even more difficult for HMRC staff to perform their task on whatever tax they are pursuing, be it corporation tax or any other.

The right hon. Member for Wokingham seemed to dismiss the issue of tax evasion, suggesting that we could pursue evaders until the cows came home, but they would never pay the tax so we would not be able to close the deficit by pursuing them. He then went on to talk about the difference between evasion and avoidance, rather than focusing on what we can do—as the people who scrutinise legislation—to ensure that the Government are delivering on their words in the Budget.

Mr Redwood: I wish to correct the record. I made it very clear that if a company were evading tax, we should throw the book at them and get the money back.

Clive Efford: My point is that that was the sum total of the right hon. Gentleman's contribution on that subject. He then elaborated on other issues. The point is that the thrust of the amendment is evasion—people working the system in a way that breaches the rules and means that they do not make the contributions that they should make. Those are the people we should bear down on. In my intervention in his speech, he accepted that there was such avoidance, and that those people should be dealt with. It is how we scrutinise that that we are discussing now. It is the function of this House to hold the Government to account, and the amendment asks for a report to Parliament on what exactly the Government are doing.

I congratulate my hon. Friend the Member for Hayes and Harlington on his amendment, and I look forward to hearing what the Government have to say in response.

Gavin Williamson (South Staffordshire) (Con): I shall try to be brief, as I was always told that brevity is a virtue. I am sure that many hon. Members will be brief in all their contributions this evening.

I pay tribute to my hon. Friend the Member for Lincoln (Karl McCartney), who painted such a stirring picture of the city of Lincoln that most hon. Members will be hotfooting it there at the weekend if their constituency duties allow.

I listened with great interest to the hon. Member for Hayes and Harlington (John McDonnell), especially when he said that in his 13 years as a Member of Parliament taxation had never been simplified. I suggest that that is because of the 13 years of Labour Government during his time in Parliament; that is why the taxation system has got so complicated. To reduce tax avoidance we need to ensure that we have a simple and plain tax system. It might be a difficult concept to accept, but the less tax we have to raise, the less chance there is of having tax avoidance. It is beautifully simple, but beautifully true.

5.45 pm

I honestly believe that the measures outlined in the Budget and the Bill will make an impact on encouraging all companies to pay their way, contributing the correct amount in their taxable allowances, thereby reducing avoidance. However, the simple reality is that we have had 13 years of incredibly complicated tax systems, which has acted as a massive disincentive for everyone to pay the tax that is due, because there have been too many opportunities to avoid tax. I believe that the measures taken will make a positive impact in setting that right.

Stewart Hosie: The case for a simple tax regime is well made. Had the Government abandoned capital allowances and the annual investment allowance, that would have been simpler, but instead they just reduced and changed them. Can the hon. Gentleman explain how that simplifies the tax code in the way that he has described, rather than otherwise?

Gavin Williamson: I am obviously far below the pay grade of my hon. Friends on the Front Bench, but I am sure that they have great plans to make the tax system much fairer and more equal, right across the board.

One important thing that my hon. Friends have done is reduce corporation tax, which will help so many businesses. Most importantly, they have helped small businesses—it is often small businesses that have had the most difficult time over the past few years—which is something that I warmly welcome.

Mr Love: On small businesses, is there not some concern that unincorporated individuals will now incorporate because of the reduction in the small business tax rate, which will cause avoidance by another route?

Gavin Williamson: The hon. Gentleman makes an interesting point, although more people becoming incorporated as limited companies will reduce the amount of tax avoidance from which people could perhaps benefit as sole traders.

Stephen Timms: I join others in congratulating the hon. Member for Lincoln (Karl McCartney) on his maiden speech. He launched some important claims on behalf of his constituents. I was interested in the case that he made for reintroducing indexation and taper relief on capital gains tax. I suspect that these debates will gain a new currency, given the increase in the rate of capital gains tax that the Bill introduces. I also welcome the evidence of independent thinking that he showed the Committee today, and I appreciate, as many will, his generous remarks about Gillian Merron, who was certainly a very popular Member of the House, as well as a popular feature in the local press in the hon. Gentleman's constituency.

I am grateful to my hon. Friend the Member for Hayes and Harlington (John McDonnell) for raising this issue. He has done us a service by raising some important points. I do not agree with his criticism of the previous Government in that respect, as I shall explain, but it is right that we should have this debate in this part of our consideration of the Bill.

I enjoyed listening to what the hon. Member for South Staffordshire (Gavin Williamson) said a moment ago. What he was saying, I think, was that he was expecting the new Government to simplify the tax system. Well, maybe, although I do not think that there is much simplification in the Bill. In fact, there is a major new complication, as we will see when we come to clause 2. For the first time ever, the rate of capital gains tax is being changed in the middle of a year. That is a significant new complexity that the Bill introduces. Although I am touched by his faith, I suspect that he might find himself somewhat disappointed as time goes on.

My hon. Friend the Member for Hayes and Harlington was right to pay tribute to the work of Richard Murphy and the tax justice campaign. I want to pay particular tribute to Richard Murphy for developing, and first arguing for, the idea of country-by-country reporting. We are debating the avoidance, and indeed evasion, of corporation tax, and of course, that is a matter not only for the UK but for developing countries on a large scale as well. Richard Murphy was the first person to argue that companies should report, on a country-by-country basis, the profits that they make in each country and the tax that they pay in each country, so that everyone can see if there is a mismatch between the two.

The previous Government supported that call, and I am pleased that the OECD is taking the matter up. I think that we are now going to see some progress on that front, thanks to Richard's efforts. I note from his blog that he has been on the receiving end of some unwarranted online harassment recently on account of his work. I certainly wish him well in what he is doing. However, I am not entirely persuaded by his criticism, or that of my hon. Friend the Member for Hayes and Harlington, of the work of HMRC on the tax gap. As my hon. Friend rightly mentioned, however, it is inevitable that any estimates in this area will be uncertain because no one knows precisely what is being hidden from the tax authorities.

Narrowing the tax gap was an important priority for the previous Government, and I was grateful for the comments made by the hon. Member for Southport (Dr Pugh) and by the Minister in the debate on tax avoidance that was held in Westminster Hall on 14 June. In that debate, my hon. Friend the Member for Wallasey (Ms Eagle) set out the key elements of the progress that the previous Government had made on tackling the problem of avoidance. One of the initiatives that we took was to propose a voluntary code of practice for the banks, and I hope that the Minister will be able to tell us more about this when he winds up the debate. My hon. Friend the Member for Leeds East (Mr Mudie) mentioned one of the banks a few moments ago. The idea was that banks would sign up to the code of practice and, in doing so, would agree to stick not only to the law on the payment of taxes but to the spirit of the law as well.

Having listened to the arguments put forward by the right hon. Member for Wokingham (Mr Redwood), I imagine that he would be opposed to that initiative, because he would feel that it should simply be a matter of asking, "Are you or are you not complying with the letter of the law?" and that, if a problem arose, the Government should legislate to close the loophole. The problem with that approach is that we can get into an arms race, as we have certainly done on many occasions, in which the Government and Parliament agree on changes to the law and everyone knows perfectly well what they mean, but the banks then commission ingenious accountants to find ways round the spirit of the law, even though the letter of the law is being complied with. If we were to stick with the approach for which the right hon. Gentleman is arguing, Parliament would then have to close the loophole, perhaps a year later, and the circle would continue to go round. He made an interesting case, but we have to find a way of breaking that vicious circle, because huge amounts of money are being spent by taxpayers and by HMRC, and, in the end, nobody benefits.

Mr Redwood: The right hon. Gentleman is quite right to say that there can be an arms race, but would he also acknowledge that, while quite a lot of companies accept that they need to pay a fair whack of tax, there are many judgments involved? Those companies seek advice on that judgment, but they do not always get the same advice as HMRC. It is not that they are all trying to cheat the taxpayer; these are complicated matters and a view needs to be taken on cost overhead allocation, transfer prices and so on. Judgments are reached and the Revenue disagrees, but these are judgment matters, and this subject is not easy to handle.

Stephen Timms: The right hon. Gentleman is absolutely right about that. I entirely accept that that often happens, but I hope that he will accept that there are also people who commission very highly paid accountants to find ways of getting round the law. Everyone involved in that practice knows perfectly well that they are going against the spirit of what Parliament intended, and that is the kind of damaging avoidance that we need to bear down on.

Kwasi Kwarteng: Clearly, we have laws, but people are also going to try to pay the minimum amount of tax that they can. That is an entirely rational thing for them to do. It is our job to frame the laws as simply as possible, so that there are no loopholes. As my hon. Friend the Member for South Staffordshire (Gavin Williamson) pointed out, because there is so much more complication in our tax system, there are far more opportunities for loopholes. Surely the way to tackle the

problem is to simplify the tax code, rather than pursuing people through the law courts or making the code even more complicated.

Stephen Timms: I am happy to subscribe to the view that the tax code should be as simple as possible, and I look forward to the new Government introducing measures along those lines. Simplicity is certainly a virtue, but, as I have said, those who are pressing for such measures might find that they have a rather longer wait than they would have liked. Let me also make it clear, in agreeing with my hon. Friend the Member for Hayes and Harlington, that there is absolutely nothing wrong with tax planning or with people ordering their affairs in a sensible way from a tax point of view.

Mr Mudie: I thank the Minister for giving way. I am sorry, I should have said "the shadow Minister"—old habits die hard. Does he recall that it was reported last year that the majority of the top 100 companies paid no tax whatever? That was not a matter of the tax system being complicated; it was a simple matter of their going to enormous lengths—working with the worst culprit, Barclays bank—to devise systems and work through offshore companies to avoid paying any tax. Do not Members on the Government Benches get angry that ordinary people work hard and pay their taxes while multinationals and other large companies go to extreme lengths to pay no tax whatever?

Stephen Timms: My hon. Friend is absolutely right. There are some flagrant examples of that, not least in the banking sector. Indeed, some of those examples were very well documented in the excellent series in *The Guardian* earlier this year. I would particularly welcome an update from the Minister on the progress of the voluntary code of practice for the banks, which could be an effective way of tackling the problem that he is dealing with.

Andrew George: Of course we all agree that we should seek the holy grail of a more simplified tax system, but what assessment did the right hon. Gentleman make of the announcement of 12,000 job cuts in HMRC, which we have discussed, and particularly of the breaking up of the compliance teams that were scrutinising the very areas of tax avoidance and tax evasion that we are now debating?

Stephen Timms: HMRC, for which I was responsible, has a very difficult task on its hands. I was persuaded, and remain convinced, of the case for HMRC being able to discharge its functions a good deal more efficiently in the future, thanks to the use of new systems and to a reorganisation into larger groups. In the past, HMRC was characterised by lots of offices with not very many people working in them. It is now clear that that was not very efficient or effective, and I think that the reorganisation will help. There is no escaping the fact that it has a tough job to do, but I think that it is setting about it in the right way.

The financial crisis since 2008 has led to a big shift in the approach to tax evasion and tax avoidance. Following the crisis, the previous Government made certain that the UK was at the forefront of the drive for change. Internationally, there was recognition that a lack of transparency in the international financial system had presented previously unrecognised but nevertheless significant systemic threats to the global financial architecture, that those threats had to be dealt with and that progress had to be made quickly. In the forum of the G20 and in the aftermath of the credit crunch, good progress was made, but that momentum needs to be maintained. I hope that the Minister will set out for us today how he sees it being maintained.

6 pm

The previous Government measured the tax gap and published for the first time an assessment of it and a detailed breakdown of how it was made up. My hon. Friend the Member for Hayes and Harlington rightly referred to the £40 billion figure as the overall assessment, and a detailed breakdown of it was published at the time of the Budget in a document called "Measuring Tax Gaps". I hope that the Minister will tell us that it is his and the Government's intention to publish this assessment regularly, and I hope that my hon. Friend will be reassured by that.

The figure in that analysis for corporation tax as a contribution towards the overall £40 billion gap is £8.9 billion, which is 16% of the total corporation tax—a very significant contribution. Indeed, 16% is one of the largest of the direct tax losses, although it is not quite as much a loss as that from diesel duty in Northern Ireland or hand-rolled tobacco duty. Apart from those, however, the proportion of corporation tax not being collected is the largest of the taxes set out in the analysis.

Gavin Williamson: In 1997, we had the 11th lowest rate of corporation tax, whereas in 2010 we have only the 23rd lowest. Does the right hon. Gentleman believe that that might have some impact on corporation tax evasion?

Stephen Timms: I believe that it is important, as the previous Government made clear was their continuing intention, to have the lowest rate of corporation tax in the G7. That is why we reduced corporation tax when we were in government, and when we come to debate the rate, as we will in a few minutes' time, I will press the Minister to reiterate on behalf of the present Government the commitment that was made and indeed fulfilled by the previous Government—to have a competitive corporation tax regime.

Gavin Williamson: When global companies are looking across the globe to where they should locate their headquarters, is the right hon. Gentleman not concerned that we slipped so far down the rankings under a Labour Government?

Stephen Timms: No, we were successful in maintaining a competitive business tax system in the UK. It is true, of course, that if a company goes to Ireland, it will pay a much lower rate of corporation than it would in the UK, but that rate of corporation tax in Ireland is lower than in any G7 country. Our commitment was to keep the UK's corporation tax rate the lowest in the G7, and that is what we successfully did. It was important that we did so.

There is debate about whether the £40 billion figure is correct. I believe that HMRC did a serious and careful analysis. I also think there should be more discussion

[Stephen Timms]

with people such as Richard Murphy. I believe his figure for the tax gap on corporation tax was about £12 billion—not vastly more than the £9 billion or so in the HMRC figure. Richard Murphy also makes the point that there is uncertainty—perhaps more uncertainty—about that figure than some of the others that he estimates. Continuing discussion between people such as the tax justice campaign and HMRC is important so that we make these figures as accurate as possible. I very much hope that the Minister will confirm that it is his intention regularly to update the analysis that has been published, to be frank and robust in publication and to discuss the issues with the tax justice campaign, which takes a different view, and the TUC, which has also taken a close interest. Ultimately, it is in everyone's interest to have the best possible information available. I hope that the Minister will reassure us on that.

Matthew Hancock (West Suffolk) (Con): The right hon. Gentleman has just admitted that since 1997, in respect of avoidance or evasion of corporation tax, the tax gap was reduced by only £3 billion. Does he not agree, then, that it is wrong to go around the country telling people that the entire deficit could be dealt with if we just got to grips with this one issue? It is, of course, important to get to grips with it, but it will not on its own resolve the deficit. Is it not wrong to tell people that it could?

Stephen Timms: I am sorry if I misled the hon. Gentleman into thinking that the figure was reduced by only £3 billion as result of the previous Government's efforts. I did not say that at all. I would be happy to go through in more detail the efforts of the previous Government on this issue, but the crucial initiative was the disclosure regime, which we introduced in 2004 to great howls of protest, yet it has undoubtedly saved many billions in tax that would otherwise not have been collected. The total figure is certainly a great deal more than £3 billion. As to whether addressing this problem could be the sole solution to the problem of the deficit, however, I agree that it could not.

Stewart Hosie: The shadow Minister makes a point about the success of the disclosure scheme. It has been successful, but does he now regret not implementing a pre-commencement validation system with the Revenue before such avoidance schemes were put in place rather than a post-commencement disclosure, when the money has to be clawed back through retrospective legislation? Is it not better to avoid any avoidance happening in the first place?

Stephen Timms: The hon. Gentleman, who knows a lot about these matters, is right that this is one of the subjects that will have to be considered in looking at a general anti-avoidance rule. The problem, I think, is HMRC having to respond quickly to potentially huge numbers of pre-clearance requests of that kind, which would be a massive additional burden. If I were in the Minister's shoes, before going down that road, I would press very hard for some cast-iron assurances on the part of HMRC that those clearances could be provided quickly. The problem is that a lot of new bureaucracy would be required.

Stewart Hosie: I understand the argument and I have heard it before—last year, in fact. I welcome what the shadow Minister is saying, but given the concept of promoters or introducers of these schemes—effectively a clear register of people who might engage in this kind of activity—might it not now be easier than it would have been even two or three years ago?

Stephen Timms: I think it would still be difficult, complex and cumbersome. A judgment will have to be made about whether it is the right thing to do—effectively, the benefit of reducing avoidance would have to be worth the additional complexity. I am sure that this debate is still to come.

The Exchequer Secretary to the Treasury (Mr David Gauke): Before responding to amendment 11, I would like to thank my hon. Friend the Member for Lincoln (Karl McCartney) for making his maiden speech earlier. He is rightly proud to represent that fine constituency, and I am sure that his constituency will be rightly proud of him. I hope he represents his constituency for many years to come. I will deal with the issues he raised about capital gains tax—as already noted, he shows great independence of mind on this point—when I respond to a later grouping of amendments.

I am very pleased to see the right hon. Member for East Ham (Stephen Timms) back at the Dispatch Box. It is good to see him returned here and I hope he is returning to good health. He is certainly a formidable person to face on the other side of the Dispatch Box, as he has great expertise and experience in this particular subject. He was a highly popular and effective Minister, performing the same role as I now perform. His are big shoes to fill and I am sure that there will be plenty of disagreements in the months ahead, but it is none the less a great pleasure to see the right hon. Gentleman back, well and in good form.

Amendment 11 seeks the publication of a report assessing corporation tax avoidance and evasion and setting out measures to ensure the payment of tax before the reduction in the main rate of corporation tax can be applied. The Government are committed to a competitive corporation tax rate, which will show that the UK is open for business and encourage growth. The amendment is narrowly focused on the role of evasion and avoidance, so I shall explain later and in more detail our reasons for the more general changes proposed.

Terminology was a large part of the debate on the matter. As we have heard, tax evasion occurs when someone acts against the law. Tax avoidance involves compliance with the letter but not the spirit of the law, and it is right that the Government seek to minimise that. Tax planning is a case of acting in both the spirit and the letter of the law. There is a distinction, although there will be occasions when the line is a little blurred.

The Government are committed to tackling robustly avoidance and evasion, which undermine the effectiveness of the tax system, distort competition and increase the burden of taxation on those who do comply with the spirit and letter of the law. The emergency Budget clearly sets out the Government's strategic approach to reducing tax avoidance and evasion. As a number of my hon. Friends have pointed out, some matters relate to how we make tax law, and to ensuring that tax law has as much clarity as possible. At the time of the

Budget, we produced a well-received publication setting out a more deliberative and consultative way to make tax law.

There is also a strong case for a more simplified tax code. Too many allowances and reliefs and too much complication within the tax system provide opportunity for tax avoidance, which we seek to address. We will address long-standing avoidance risks, and I have announced an informal consultation on the introduction of a general anti-avoidance rule. I appreciate that there are arguments on both sides, some of which we heard from the right hon. Member for East Ham. We will ensure that we make changes in the law in a way that prevents increasing complexity and reduces the need for frequent legislative revisions. We will also ensure that we build in sustainable defences against avoidance opportunities when undertaking policy reform. The Government have already closed specific loopholes to prevent the avoidance of corporation tax, and clauses 8 and 9 protect about £200 million of tax revenues per year.

The Government fully support the type of transparency for which the hon. Member for Hayes and Harlington (John McDonnell) calls in his amendment. As others have pointed out, that form of transparency already exists. The right hon. Member for East Ham pointed out that HMRC has published an assessment of corporation tax avoidance and evasion, although it deals with not just corporation tax but tax across the board. In December 2009, HMRC published the document, "Measuring Tax Gaps 2009", which estimated the overall tax gaps across HMRC's regimes for the first time. Alongside that statistical release, HMRC also published estimates of the tax gap by behaviour, including avoidance and evasion, as well as the actions being taken to reduce the gap. As we have heard, HMRC's estimate for the tax gap as a whole is £40 billion, and the definition includes evasion and avoidance, debt and legal interpretation—as my right hon. Friend the Member for Wokingham (Mr Redwood) pointed out, there are sometimes disputes between two parties, both acting in good faith.

6.15 pm

HMRC estimates that corporation tax avoidance by large companies amounts to £3.4 billion, and that such avoidance by small companies amounts to £0.3 billion. We have heard a lot this afternoon about the TUC figures produced by Tax Research UK and by Mr Richard Murphy in particular. As I understand it, his figure for corporation tax avoidance is £12 billion. I note that the right hon. Member for East Ham disagrees with Mr Richard Murphy's estimate of the tax gap. Mr Murphy's calculations on corporation tax avoidance are on the basis of the gap between the statutory rate, which was 30% at the time of the assessment, and the effective rate, which was somewhat lower. That estimate does not take into account those reliefs and allowances that Parliament has determined should be available, for example capital allowances, to the extent that they are more generous than depreciation treatment would allow. Mr Murphy has acknowledged that point and is considering it further.

In addition, as far as we can see, no allowance is made for double taxation relief, which prevents a taxpayer from paying tax twice, in two different jurisdictions, for the same profits. The right hon. Member for East Ham referred to country-by-country reporting, and we continue to consider whether there is a practical way forward in that regard. If we are to have country-by-country reporting, however, double taxation relief becomes all the more important. As far as I can see—if I am wrong, I am sure that Mr Murphy will correct me in his lively and entertaining blog, as he follows these matters closely—the Exchequer cost of double taxation relief is £16.7 billion. It is not clear that that is taken into account in the distinction between the statutory and effective rates. Such a top-down approach does not work for corporation tax.

There are other flaws in Mr Murphy's methods. For example, he does not appear to take into account any tax recovered through HMRC's compliance activity.

Mr Redwood: My hon. Friend reinforces my point: avoidance covers a variety of different things. In this case, it seems to cover conduct that a Government are trying to encourage, as well as conduct that a Government are trying to repress or stop. That is why the House needs a little more humility instead of rushing into saying, "There's all this tax being avoided." Some of it is being avoided for reasons that the previous Government approved of.

Mr Gauke: I am grateful to my right hon. Friend, who brings me to my next point.

The Government see the distinction between tax avoidance and tax planning, but those lines can be blurred, and sometimes use of the terminology is not as accurate as it might be. For example, I quote the "Missing Billions" report, produced for the TUC, which, after setting out a series of numbers leading towards the estimate for corporation tax avoidance, states:

> "Much may be due to legitimate tax planning, but by no means all is. Some, undoubtedly, is due to tax avoidance."

That seems to me to suggest a slight blurring of the lines. Again, I am sure that I will be corrected in Mr Murphy's blog if I am wrong, but there does appear to be some confusion.

I am not suggesting that tax avoidance and tax evasion do not matter. The £40 billion figure is significant. However, it is also true that we cannot pretend that if we just address this problem, the deficit will go away. Although it is always tempting for a new Minister in a new Government to attack everything that happened before, I must point out—not purely out of fondness for my predecessor, the right hon. Member for East Ham—that, in international terms, £40 billion is not too bad as a percentage of tax revenue raised.

HMRC does not do particularly badly. Indeed, it tends to lead the field in this respect. Nor has it deteriorated during a period in which it has incurred substantial job losses, as a number of Members have pointed out. I believe that it employed 97,000 people in 2005, and the most recent figure is 69,000. It is a question of deploying resources as effectively and efficiently as possible.

None the less, to the extent that it is possible to go further in reducing evasion and avoidance, the Government are keen to do so, and I have set out some of the ways in which we intend to do so. I can tell the hon. Member for Hayes and Harlington that we already assess the amount of tax lost through avoidance and evasion, and that we are committed to reduce those losses as much as possible. We will also continue to publish the tax gap figures as frequently as possible, to provide a focus for HMRC and to ensure that our debate is well informed.

[Mr Gauke]

I hope that what I have said gives some reassurance to the hon. Member for Hayes and Harlington. Let me also remind the shadow Minister that HMRC introduced a banking code of practice in 2009, and HMRC's annual report will provide anonymised statistics on the number of banks that have adopted it. We believe that the code encourages banks not to enter into, or be party to, avoidance arrangements, but we will of course continue to monitor and review its operation.

John McDonnell: I am grateful for the Minister's assurance that information on the tax gap will continue to be published, but my amendment also deals with when it will be published, and asks for further information to be given on the measures that will be taken to tackle the problem.

Mr Gauke: The hon. Gentleman's points have been noted. Today's debate is the second on this matter in which I have taken part in my present post—the first was in Westminster Hall—and I am well aware that it is of considerable concern to Members on both sides of the House. It has also featured heavily in Treasury questions, which will take place again tomorrow. Who knows? There may be a question on this very subject then.

The hon. Gentleman is right to hold Ministers and HMRC to account in regard to how we seek to reduce the tax gap. The Government are taking the matter seriously, and, in the spirit of transparency in which we operate, we will provide as much information as we can so that our debate is as well informed as possible. In the light of that assurance, I hope the hon. Gentleman will accept that the amendment is not necessary and will withdraw it.

John McDonnell: I think that the debate has been helpful to Members on both sides of the Committee. An attempt has been made to get out of the trenches, and to engage in a wide-ranging discussion of how we can proceed in a pragmatic way. I believe that this will become one of the key issues that people will expect us to address as the economic crisis continues. If they see public expenditure cut so that their local schools are not refurbished, and if they see a tax on welfare benefits, they will expect us at least to maximise the revenue from the tax that people and organisations should be paying. Justice and fairness in the taxation system will become critically important to more and more people.

Some of the arguments that we have heard today have been very helpful, and at times they have been entertaining. I am fascinated by the concept that reducing taxation reduces evasion and avoidance: that is almost an argument for no taxation at all, although it may not gain much purchase in the House. We all accept the arguments about simplicity, but the problem with simplicity is that it makes loopholes possible, and we then need complexity to tackle the loopholes. It is a circular problem. However, it is a joint venture for us to try to ensure that the legislation that we draft is appropriately simple.

Kwasi Kwarteng: What was said was that simplicity aided the avoidance of loopholes, and that complexity led to more loopholes. The hon. Gentleman has just contradicted that.

John McDonnell: I was talking about what had been experienced in the past, but we can all sign up to the pious statement that we will achieve as much simplicity as possible. I merely say on the basis of practical experience in the House that, unfortunately, when we have sought simplicity, people have argued for further complexity to tackle the loopholes. However, we will all aim for simplicity, and the onus is on us to try to draft legislation in a way that achieves it.

I welcomed the Minister's statement about the continuation of, and consultation on, the commitment to the anti-avoidance rule, but I hoped that at some stage a future report from Government would enable us to engage in a wider debate on how we could install in legislation the duty to comply more simply and effectively. As my right hon. Friend the Member for East Ham (Stephen Timms) pointed out, the issue that arises time and again is the ingenious use of devices to avoid the spirit of the law. In other contexts, we draft legislation in such a way that when a device appears it can be seen to be a device, which is patently against the spirit of the legislation and whose effect can therefore be outlawed. I also welcomed the wider debate on the anti-avoidance principle to be installed in legislation.

This has been a helpful debate. I leave the Minister to the savagery of Richard Murphy's blog: I am sure that Mr Murphy will respond to each of the points that he raised. Let me make this point, however: whether the tax gap is £40 billion or £120 billion, when people out there are experiencing cuts in public services and reductions in their pensions and are having to work for longer, they will expect us to collect those taxes. The subtle distinctions between evasion and avoidance will be lost on them. They will expect the House of Commons to produce legislation ensuring that HMRC is sufficiently staffed and sufficiently resourced to bring in the tax, and to deal with the significant part of the deficit that we have identified in the past few weeks.

On the basis of the assurances that we have had from both Front Benches of co-operative working on this issue, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Chris Leslie (Nottingham East) (Lab/Co-op): I beg to move amendment 21, page 1, line 6, at end add—

'(2) The main rate of corporation tax for financial year 2011 will remain at 28 per cent. on the profits of banking institutions as defined by section 2 of the Banking Act 2009.'.

The Temporary Chair (Mr David Amess): With this it will be convenient to discuss the following:

Amendment 34, page 1, line 6, at end add—

'(2) Prior to this rate taking effect, the Chancellor will place in the Library of the House of Commons an assessment of the impact of this clause on the banking sector.'.

Amendment 50, page 1, line 6, at end add—

'(2) This section shall not come into force until the Treasury has laid before the House of Commons as assessment of the impact of this section on—

(a) the banking sector, and

(b) all other sectors to which corporation tax applies.'.

Chris Leslie: My amendment is quite simple. It does not seek to alter the rate of corporation tax suggested in the Budget, except in one respect: it should not apply to

banks and banking institutions. Surely few issues can highlight the unfairness and injustice of the Government's Budget more effectively than the suggestion that, of all the sets of institutions that should benefit from more advantageous tax arrangements, the banks should be given such a windfall at such a time.

I was prompted to table the amendment by a flurry of reports that appeared immediately after the Budget statement, suggesting that the banks would be net beneficiaries. Deutsche Bank analysts were reported as saying that the Budget was a "good outcome for banks", and John-Paul Crutchley, an analyst at UBS, expected that Lloyds and HSBC would benefit by 2012 as a result of, particularly, the cut in corporation tax.

We must look at this measure in the context of the other Budget provisions. While the Finance Bill is, I suppose, substantial to a degree, it addresses only one short set of Budget measures that presumably will be brought before the House in different Bills at different times in the coming year, and it is a shame in a way that we will not get a chance to address this corporation tax measure in that wider context. I do not think any Members are opposed in principle to the banking levy that the Chancellor announced, although many might question whether it is tough and stringent enough.

Mr Kevan Jones: Does my hon. Friend agree that this cut will be unfair to small businesses in that while the major banks that got us into the financial mess two years ago will benefit from it, many small and medium-sized businesses will have to pay for it through the cut in the annual investment allowance from 2012?

Chris Leslie: Indeed, I think there is a set of unfairness issues that affect not only public services and our constituents, but business to business. Many small businesses will be incredulous at this giveaway to the banks, which are having their corporation tax cut. HSBC's own banking analysts agreed that they would be better off. One of them was quoted in the media as saying:

"We'd expect most domestically-orientated banks, for example Lloyds, to be better off after four years than they were pre-Budget."

Analysts at Redburn Partners said that Lloyds in particular would see a 3% rise in its earnings per share by 2012, especially as corporation tax is planned to be reduced to 24% over time. The measures in this Bill make only a 1% change in that tax from 28% to 27%, but as the years pass the banks' gains clearly will accrue and become even greater.

It was no coincidence that the share prices of some of our leading banks leapt after the Budget statement, even though, paradoxically, it included a banking levy that they supposedly feared. Lloyds shares gained 2.7% the morning after the Budget, and others were similarly jumping for joy. The *Daily Mail*—a journal of great repute—reported that a city insider was privately very happy, saying that

"some banks will have a feeling of glee at the way this has worked out. But none would be stupid enough to say anything openly."

It will be for the Minister to defend this measure of course, and I look forward to hearing him explain why, of all institutions, the banks deserve this windfall at this time.

The interplay between the banking levy and the impact of the corporation tax cuts must be at the heart of our considerations this afternoon, and I am glad that my Front-Bench colleague my right hon. Friend the Member for East Ham (Stephen Timms) and the hon. Member for St Ives (Andrew George) have tabled amendments that also seek to probe that issue. My amendment would have the effect of not passing on the corporation tax cut, and theirs' would insist that at the very least the Treasury conduct a review of these matters.

My concern remains that the banking levy was set at far too low a rate—starting at 0.04% and rising to the heady heights of 0.07%. I gather that might even be about half the level at which the Americans set their banking levy. The notion that this was all done internationally at the same level is absolutely not the case. For some bizarre reason, the Chancellor really held back. He made great play of this levy in the Budget statement because he knows the general public are angry about the situation the banks have left in this country. They are furious that the banks were the source and cause of many of our national debt problems and the deficit we face today. I am glad that the Government say at page 26 of the Red Book that they will consult on the final details of the banking levy, and I urge the Minister to think carefully about how that levy will play in relation to the corporation tax reduction, because if the banks are gaining from that, it must be possible to ensure that they pay their fair share at some point .

Matthew Hancock: Does the hon. Gentleman regret his party's position before the last election, which was that we should not have a banking levy unless everywhere else in the world signed up to it? Does he therefore applaud the current Government's leadership in unilaterally putting forward a bank levy?

Chris Leslie: I may be wrong, but it is my recollection that a number of countries simultaneously came out with their banking levy arrangements, on the continent as well as America, and it was, of course, the natural point at which to introduce a banking levy. It is a matter of nuance whether we get a collection of large industrial countries to act simultaneously or we act on our own as a country, but I think it is necessary to have a banking levy that recoups all the payments that the banks took from our taxpayers.

Mr Kevan Jones: My hon. Friend refers to page 26 of the Red Book, which states at paragraph 1.63 that

"the Government will introduce a levy based on banks' balance sheets from 1 January 2011, intended to encourage banks to move to less risky funding profiles."

The paragraph concludes by saying:

"The levy will result in a rebalancing of the burden of taxation between banking and other sectors."

Does my hon. Friend agree that that actually supports his amendment, in the sense that we should not take decisions on the banks' corporation tax rates before this levy is introduced?

Chris Leslie: I could not agree more. It would not be in order to stray too far from the topic of corporation tax, but it is important that we see this change in context. It appears that the Chancellor press-released the fact that he was taking, in some brave measure, an amount of money from the banks through the banking

[Chris Leslie]

levy, but failed to publicise that he was also giving that back with the other hand through the reduction in the corporation tax rate.

We are talking about significant and serious amounts of money, and the Minister ought not to be so careless with this revenue as it is needed to repair our deficit and to protect our public services. I am very surprised that the Treasury did not take action to plug this loss of revenue, but chose instead to apply the reduction in corporation tax across the board.

We must not forget that the banks have already benefited from an enormous amount of largesse from the taxpayer more widely. The Royal Bank of Scotland and Lloyds Banking Group had £76 billion of their shares bought by the taxpayer. The Bank of England had to be indemnified against losses incurred in providing more than £200 billion of liquidity support. There have been guarantees of up to £250 billion of wholesale borrowing by the banks to strengthen liquidity. Also, £40 billion of loans and other funds were made to Bradford & Bingley and the Financial Services Compensation Scheme. There was insurance cover of more than £280 billion for bank assets as well. These changes were not unnecessary at the time; they were absolutely vital as a way of ensuring that our banking system—our credit system—did not collapse entirely.

Had the coalition parties been in power at that time they would have had to fulfil exactly those same commitments, assurances and undertakings to make sure that our banking system did not collapse. That is why it infuriates so many members of the public to hear Members on the Government Benches claiming that that was a partisan cause or that our spending such a large share of our national income on public services is the real cause of our deficit, when in fact responsibility lies squarely at the feet of our banking sector.

Mr Love: May I correct something my hon. Friend has said? Most of the measures the previous Government introduced to safeguard the financial system were in fact opposed at the time by the Conservative party, although it appears to have changed its mind. I also want to ask about the public concerns about the widespread reports from banking spokespersons in respect of this supposed levy. They are suggesting that there will be an opportunity during the consultation to weaken the legislation and reduce the amount of tax they pay. Does my hon. Friend deprecate such projects, and will he try to ensure that the Government stand firm against any such thing?

Chris Leslie: That is entirely so. Those with significant financial wherewithal—the corporate advisers, the consultants, the accountants—are always exceptionally adept at lobbying Ministers and making their points in their detailed ways, often with the general public entirely unaware that such measures are being put in place to their advantage. Clearly, the banks have been very aggressive in lobbying for these changes. It appears they may well have been successful in watering down the banking levy, while at the same time gaining benefit from this corporation tax change.

The Minister may argue, "Ah well, some of our banks made very significant losses in previous financial years, and because of the complexities of our corporation tax law, companies have certain rights to recoup some of those losses from the corporation tax they paid previously." In my view, the banks should also be excluded from making such claims—or at least, their ability to do so should be lessened. I was unable to frame my amendment in that way—that takes a certain level of drafting—but we must ensure that the Treasury does not allow the exceptionally clever and highly paid advisers whom the banks can employ to find their way round the provisions and take even more money from the taxpayer.

Mr Kevan Jones: Reference has already been made to Barclays, whose full-year profits increased, I understand, by 92% in 2009 to stand at some £11.6 billion. Does my hon. Friend agree that Barclays will also gain from what is now proposed?

Chris Leslie: That is especially true over the longer term, and, as I was saying, although clause 1 refers only to the financial year 2011-12, the Government clearly intend to go even further even faster.

There may well be a case for saying that all companies need to be treated the same and that it would be wrong to discriminate against a particular class, and the Minister may argue that there are other sets of corporations—large oil companies, the privatised utilities and so on—that the public would frown on if they regained a corporation tax benefit, for example. In my view, the public are getting wise to the cause of the reduction in public spending, some of which, naturally, is driven by Conservative party ideology. However, the reductions that are driven by the existence of the deficit are largely the result of the costs incurred in bailing out the banks and the subsequent recession. Because of the lack of credit available in the wider economy, we had fewer tax receipts. In fact, the real story of the deficit is not that we are spending so much on public services, but that tax receipts are considerably lower.

Ian Lucas (Wrexham) (Lab): Is my hon. Friend as confused as I am by the Government's trumpeted aim of rebalancing the economy, while at the same time they introduce a corporation tax cut such as this, which favours companies across the board—from retail to banking—but not manufacturing? In fact, the capital allowances scheme actually penalises manufacturing companies. Does not the generality of the Government's approach contradict their own headlines?

Chris Leslie: Indeed. This is a very perplexing set of Budget measures and if we have the chance to debate clause 1 stand part, there are a number of other questions we might want to probe the Minister on. For instance, why, inexplicably, are the reductions in the "small profits rate" of corporation tax not in the Bill? It seems that the Government are very adept at putting at the head of the queue the large institutions that will bleat and shout the loudest. It is incredible to me that the Government are giving priority to those institutions, which should be more contrite and should contribute a fair share. It is the concept of a fair share that eludes both the banks and the Government.

6.45 pm

Andrea Leadsom (South Northamptonshire) (Con): Is the hon. Gentleman confusing a healthy banking sector that can contribute to the regeneration of a healthy economy with the issue of banks paying bonuses?

I do not see what reducing the headline rate of tax that banks pay, which inevitably leads to healthier balance sheets and greater ability to lend to companies and is good for our economy, has to do with what I think he is talking about, which is the banks' payments to themselves. I see those two issues as being very different. Perhaps he can explain.

Chris Leslie: I am grateful to the hon. Lady who, I am sure, would have wanted to declare an interest had she been in her previous guise. I understand that she was previously employed in the banking industry, although I may be wrong and I do not want to disparage her in any way. However, it is important to know.

Andrea Leadsom: It was 10 years ago.

Chris Leslie: I just wanted to place the hon. Lady's comments in their particular context.

It is certainly true that the general public have a distaste for the excessive bonuses and remuneration of those in the banking industry, but such remuneration would not be possible were it not for the high profit rates that the banks were able to post and report on so many occasions. We are indeed all shareholders in many ways—either directly, or indirectly through our pension funds or as taxpayers—and Members on both sides of the House will hope that, over time, the banks will be returned to some level of normalcy. However, necessarily, they must not, as institutions, evade—or avoid; I want to use the correct parlance—paying their fair share.

Mr Kevan Jones: It is not just the general public who feel that way. On 20 April 2010, the now Deputy Prime Minister—I think he and his party are still one and the same—called bankers "reckless and greedy", saying that they have been allowed to hold a gun to our heads.

Chris Leslie: My hon. Friend is right. Before the general election, there was a lot of tough talk and rhetoric from both Conservatives and Liberal Democrats. Indeed, *The Sun*—a journal of great repute—said on 20 March that the then Leader of the Opposition

> "singled out the banking industry as one example of 'vested interests' he is determined to confront and who he accuses Prime Minister Gordon Brown of failing to stand up to. 'We had the biggest bank bail-out in the world. We can't just carry on as if nothing happened'".

I am afraid we may well be carrying on as if nothing had happened, especially if the banking levy is offset by this giveaway in corporation tax.

Mr Jones: Let me add another example of the feeding frenzy. In December 2008, the current Prime Minister told Channel 4 that he wanted to see more senior bankers in prison.

Chris Leslie: I would not want to set the hare running across the City of London that the long arm of the law is necessarily about to grab them on the shoulder, but I understand the frustration and anger of the British public more widely, and all politicians in this House should be angry. While it is fun and games for the Conservatives and Liberal Democrats constantly to say, "Ah well, it was the Labour party that left us in this predicament", they know very well that the root cause was the greed and excess of the banking sector, which ought to pay its fair share.

Andrea Leadsom: The banking sector is far from being given a free ride by this Government. We are absolutely not going to allow it to get away with past transgressions—far from it. In fact, it is this Government who are going to restore banking supervision and lender-of-last-resort powers to the Bank of England. The tripartite system that Labour put in place, and which led to some of the failings of the banking system, was a key mistake. This Government are not going to ignore those issues. We also have a commission to look at competition, which is key, because we have to re-establish fair competition in our banking system and get rid of the tendency towards ever larger and more consolidated banks. I agree, in part, with the hon. Gentleman, in that we have to take the banking system seriously, we have to improve it and we absolutely have to make it more competitive. However, I do not agree that we should consider a differential rate of tax, as that is simply uncompetitive.

Chris Leslie: The hon. Lady makes her case. We can all, in hindsight, say that regulatory improvements should clearly have been made. The British Government could claim that work should have been done to ensure that that was the case in America, in every country in Europe and all the around the world. It is absolutely true to say that the whole worldwide banking system ought to have been more closely regulated, but that was the first time I have heard a Conservative Member defend the reduction in the corporation tax rate—that is the specific measure that we are discussing. There may be a need to debate the regulatory changes that should apply to the financial services industry—I look forward to those proposals being made—but I still do not understand her argument about anti-competitiveness. It is important to hear why the Government believe that the banks deserve this particular cut.

Mr Kevan Jones: The hon. Member for South Northamptonshire (Andrea Leadsom) has just said that we should not have a differential rate of tax, but may I again cite paragraph 1.63 on page 26 of the Red Book, which comments on the introduction of the banking levy? Its final sentence says:

> "The levy will result in a rebalancing of the burden of taxation between banking and other sectors."

Is that not exactly what we are going to see here?

Chris Leslie: Quite, and this is important. We could send a signal from this House that we, as politicians and representatives of the general public, believe that that particular industry has to pay back the cost it is has left upon the shoulders of the general public. Is it not always the case that the general public—the ordinary working people—have to dig us out of the hole created by those affluent and comfortable individuals who work in the banking system?

Clive Efford: I am grateful to my hon. Friend, because his probing is uncovering who is winning the arguments on the Government Benches. The Liberal Democrats went into the election calling for a 10% levy on banks, but the outcome is that what has been raised in the levy

[Clive Efford]

has more than been compensated for by the corporation tax cuts. We are seeing who is winning the arguments on the Government Benches on making the banks pay their fair share.

Chris Leslie: That is the case, and we have seen the glee with which the banking industry reacted after the Budget to this puny banking levy of less than 0.1% on the banks' profit and asset base.

Chris Heaton-Harris (Daventry) (Con): A few moments ago, you were talking about the banking industry that had received the "largesse" of the taxpayer, but your amendment deals with the whole banking industry, which includes those banks that did not come to the Exchequer asking for a bail-out. How do you differentiate between the two? Or are you quite happy just to nail the whole thing?

The Temporary Chair (Mr David Amess): Order. It is "the hon. Gentleman", not "you".

Chris Heaton-Harris: I apologise, Mr Amess.

Chris Leslie: The hon. Gentleman makes a fair point. I have tried to define "banking institutions" by referring to the Banking Act 2009. I believe that I would thus exclude the building societies and other more mutual, co-operative institutions that I would not regard as being as culpable as the plc-based financial institutions. Irrespective of whether a particular bank received a direct sum from the taxpayer, all those banking institutions benefited from the implicit and implied safety net that the taxpayer provided. Were it not for that underwritten implicit guarantee, banks such as Barclays and others would have been in significant trouble. They may not have taken the handout themselves, but had the markets not felt that the Government of the day were prepared to act were they so requested or had it been necessary to do so, all those banking institutions would have been in an entirely different position.

Ian Lucas: I commend my hon. Friend's response, because he has just said exactly what I was going to say about the fact that the whole sector, including those organisations that did not receive direct investment from government, benefited from the decisive action taken by the then Labour Government, which, I repeat, was vociferously opposed by the Conservative party.

Chris Leslie: That is absolutely the case, and it perhaps betrays the enlightenment of Government Members on this particular issue. Each and every one of them who votes against my amendment, or even against the other amendments on the Order Paper, will need to go back to their constituents tonight and explain why they feel that the banking institutions deserve this handout. This is an incredibly important point and it is very useful to have the chance to debate it.

Mr Edward Timpson (Crewe and Nantwich) (Con): I have been considering the hon. Gentleman's amendment carefully and listening to what he has had to say. What I really need to hear from him is whether he has assessed its impact on the competitiveness of banking institutions in this country and on this country's competitiveness in terms of attracting banking institutions to the UK to do their business? Without such an assessment it is difficult to know whether his amendment is going to do what I hope it would do.

Chris Leslie: I am delighted that that hon. Gentleman is thinking about supporting the amendment. That is incredibly important and a good step forward. I genuinely welcome his support this evening, because this could be a close-run thing. I have made an assessment, as far as I can as a humble Back Bencher. My assessment is that there are hundreds of millions of pounds at stake here that the banks could be gaining. However, I also support the amendments grouped together under this clause. We need the Treasury to undertake an urgent assessment. If the Minister says that he accepts the principle of my amendment but that he wants to do more work on it to get the details right, I would, like him, be happy to consider my position on pressing this amendment.

Matthew Hancock: Does the hon. Gentleman have any evidence to suggest that the reduction in corporation tax on banks would offset the £2.5 billion to be raised by the bank levy?

Chris Leslie: Yes I do, and at the outset of my comments, I quoted a series of highly professional and well-respected analysts from across the City of London. They were saying that this was a "good outcome", that there would be "a feeling of glee" about the Budget measures, and that they expected

"most domestically-orientated banks...to be better off after four years".

It is important to remember that the £2.5 billion supposedly gained from the banking levy is obtained only as it progresses to years four or five. At the outset, it generates an exceptionally small amount of revenue—I believe the figure is less than £1 billion.

Matthew Hancock: Can the hon. Gentleman supply any evidence that the corporation tax cut is larger than the £2.5 billion to be raised by the bank levy, because none of the things that he read out was evidence of that?

Chris Leslie: If some analysts, who on the secondary evidence before me are saying publicly that they believe that the corporation tax—

Mr Kevan Jones: Cashback.

Chris Leslie: If they are saying that the corporation tax cashback, as my hon. Friend says, will offset the levy, perhaps by less than the banking levy or perhaps by more, then I think this would be wrong. It sounds as though the hon. Member for West Suffolk (Matthew Hancock) is defending the cashback arrangement that he wants to implement—*[Interruption.]* The hon. Gentleman says he is in favour of cutting the corporation tax rate for the banks. Government Members will vote that way. I am incredulous about that.

Mr Jones: Does my hon. Friend agree that that is completely at odds with the rhetoric we heard from both the Liberal Democrats and the Conservatives in the lead-up to the election? I hasten to add that the Conservatives went very quiet the nearer we got to election day.

7 pm

Chris Leslie: Indeed. I cannot keep track of the turns and U-turns, with so many permutations, that the Government go through or of the chamaeleon-like arrangements of some hon. Members. There are honourable ladies and gentlemen in all parties—even in the parties opposite—and I appeal to them to consider the amendments carefully. These are incredibly important suggestions. I have not yet heard a case in the interventions—except, perhaps, for the competitiveness argument, which I shall discuss in a moment—for why there should be a corporation tax windfall, this boon for our large banks. Perhaps I shall hear one from the hon. Lady.

Andrea Leadsom: I want to clarify. It is to all our benefit to have a healthy financial services sector. Obviously, all parties agreed, when we had the financial crisis, that we simply could not afford to see our banking system go into meltdown. There is no doubt that that is precisely what would have happened. Nevertheless, through the banking levy the Government are seeking to make the banks compensate the taxpayer for the undoubted support that they received. If there were a reduction in corporation tax alone with no offsetting bank levy, of course the Opposition could say that the banks were getting a free ride. However, the existence of a bank levy means that the banks are paying compensation to taxpayers for their largesse while at the same time ensuring that we retain a highly competitive financial services sector that can encourage and help our economy to recover.

Chris Leslie: I am interested in the hon. Lady's arguments. She is saying that it would be wrong for the banks to receive a corporation tax cut—that is an important concession—but that it is all right because they are paying the banking levy. As I reckon it, that puts them right back to the standstill that they were at in the first place. In other words, they would not be paying any more and there would be no reparations, as I see it, for the public at large. They would simply be standing still. It beggars belief that the Government, having talked tough before the election, are now going to give a free ride to the banks and offset some of the costs of the banking levy.

The hon. Lady mentioned earlier that there is, of course, the Government's independent commission on banking. I understand that the Secretary of State for Business, Innovation and Skills is a promoter of it and I would be interested to hear his views on whether we should give a corporation tax cut to the banks. He has gone from saint to axeman in a matter of weeks, but it is the impact on public services that we are worried about most of all.

As I was saying, it is the unfairness of this measure that strikes home most of all. People who are in a comfortable position are lecturing the world about the cuts to our public services that are needed. What really sticks in the craw is the statement, "We are all in it together", which hon. Members will have heard. Well, that is not the case for the banks. They are not in it with the rest of us.

It reminds me a little of the polite and well-spoken cat-burglar who sneaks in to one's home as a thief in the night and tries to purloin all sorts of goods and chattels but, when caught red-handed, explains, "No, I'm not stealing from you. I'm just rearranging the furniture and decluttering the house." It is a grab of the worst possible kind—a grab on the public services on which the poorest in our community rely. The revenue from this measure and from reducing the corporation tax on the banks is needed by our vital public services. I hope that the Treasury will take the amendment seriously. The banks have not earned the right to this windfall. They do not deserve it and I commend the amendment to the Committee.

Vernon Coaker (Gedling) (Lab): On a point of order, Mr Amess. Has the Secretary of State for Education given you any indication that he wishes to come to the Chamber to explain some of the errors that have already come to light in his fifth list? Additionally, during questions this afternoon, the Secretary of State claimed that one individual had received more than £1 million in consultancy fees. The Department for Education has now admitted that that was £1.35 million of consultancy fees paid to KPMG as a whole over three years. Do you not think that the Secretary of State should be coming to this Chamber and have you had any word from him that he wishes to do so?

The Temporary Chair: I have listened very carefully to what the hon. Gentleman has said, but I am afraid that the point of order is of no relevance to the Committee stage of the Finance Bill.

Andrew George: I want to speak in support of amendment 50, which is tabled in my name and those of my colleagues. I congratulate the hon. Member for Nottingham East (Chris Leslie) on the manner in which he proposed his amendment. The broad thrust of the case that he seeks to probe and possibly to press to a vote later on—we do not know—is, I think, worthy of being probed. The House should obtain a great deal more information on the issue before we make a decision.

I have asked a large number of parliamentary questions on the subject and, more particularly, on the banking levy and the basis on which assessments have been made to set that proposed levy at the level at which it will be set. It is rather frustrating for many of us who wish to engage in the debate on corporation tax and to cross-reference it with the banking levy that both measures are not contained in the Bill. I understand, of course, that there will be a consultation on the banking levy before its implementation in January, and I am sure that the Minister will say that they could not both be contained in the Bill because it was proposed that the arrangements would be undertaken in such a manner. However, leaving aside the politics of the issue, the broad thrust of the argument, on which I understood that all parties were agreed, is that when we came to set the first Budget after the general election, those who dropped this country in it and caused the public finances to be in such a serious state would do most to help us to get out of it and to help to restore our public finances. We should be looking to those sectors that are most culpable to make the greatest contribution.

The Chancellor of the Exchequer was absolutely right to conclude that what we should seek to achieve in the Budget is that those who can afford it most should contribute most, with the vulnerable protected. Although I do not want to return to a Second Reading-type

[Andrew George]

debate and to relate this measure to all the other measures and to the public spending re-profiling or cuts that are due in the autumn, on which we are to get more detail, that is the context in which this issue has to be considered.

Amendment 50 is remarkably similar to amendment 34, tabled by the right hon. Member for East Ham (Stephen Timms). I tabled amendment 50 because we need to probe and fully understand the likely impact of the banking levy and the corporation tax cut on the banking sector. We need a better assessment of that. It was interesting that the hon. Member for Nottingham East, in response to proper and reasonable questions about the relationship between the impact of the bank levy, as opposed to that of the corporation tax cut, on the banking sector was unable to give a quantifiable answer. That is because the Treasury do not provide one. In the responses to the questions that I have asked on the issue, that relationship has not been clear. That is why it would be better for us to say honestly that if we are properly going to come to a measured conclusion, it would be far better to have the best possible estimates of the likely impact of both measures beforehand, so that we can measure one against the other and make a proper, balanced and reasonable assessment of the impact at the end of the process.

I do not wish to delve into the party politics of what people said and did not say prior to the election, although that adds to the excitement and interest in this Chamber, but the Business Secretary, my right hon. Friend the Member for Twickenham (Vince Cable), was right in predicting a lot of what needed to happen and in encouraging the then Government to take the action that they ultimately took on Northern Rock and in relation to other interventions. The hon. Gentleman was wrong to place the Conservatives and Liberal Democrats together in the previous Parliament as taking the same line on the issue. As a candidate in the last general election, I was particularly keen that we went into it seeking to ensure that the banking sector made a significant contribution to restoring the public finances. I was looking forward to that, and I was very pleased to see the banking levy in the Budget, along with a large number of other measures, such as raising personal allowance and the pension guarantee; the Liberal Democrats were pleased to see those. The hon. Gentleman is right, however, that one thing that came out the day after the Budget was the sense that the banking sector was breathing a sigh of relief.

Clive Efford: I apologise to the hon. Gentleman in advance for going back to what was said during the general election, but it is important in this context. The Liberal Democrats said that they were in favour of a banking levy, as he has just said, but they went further and said that it would be in addition to corporation tax. What we are debating is corporation tax that compensates the banks for the levy, cancelling it out. How can he possibly defend that position?

Andrew George: I am a free-ranging Liberal Democrat Back Bencher and I am quite clear that I want to probe this issue. I tabled my amendment because I want to ensure that we have the facts before we make what I hope will be a balanced decision on this important issue. If the hon. Gentleman does not mind, I will sidestep the tribal arguments.

Geraint Davies (Swansea West) (Lab/Co-op): The hon. Gentleman will be aware that there is a banking levy in the United States. Does he agree that if the banking levy in Britain is offset by the corporation tax reduction, our marketplace will reward bad bankers and encourage them to migrate here? At a time when the rhetoric is about creating a non-financial economy and building new strengths into the economy, we will be encouraging bad practice by rewarding bankers during the horrendous aftermath of what we have all had to witness, the costs of which are being paid by people across the country.

Andrew George: The hon. Gentleman's point is, in a way, a development of an argument that was made earlier, when he was not here, regarding the contrast between the proposed level of the banking levy in the UK and that in the US. That potential osmosis of banking activity and investment may or may not happen. The hon. Member for South Northamptonshire (Andrea Leadsom) argued that having differential rates of corporation tax would be anti-competitive, but, at the same time, Members on the Government Benches are arguing for differential rates in the sense that the banking levy differentiates between the banking sector and all other sectors. One of the purposes of my amendment is to probe the issue further.

7.15 pm

It is often only one, two or three days, or possibly even a week, after the Budget announcement that people finally get the opportunity to scrutinise the Red Book and consider the issues and what the financial press have been saying. I have to say that after the Budget, my initial euphoria at the announcement of the banking levy was somewhat dampened when I looked into matters further. On 8 July I received an answer from the Financial Secretary to the Treasury to six questions that I had asked. Among other things, I asked about the discussions that the Treasury had had on this issue; the research that it had commissioned on the impact; the modelling it had done; the criteria that were used to determine the proposed rate of the banking levy; and the estimates that the Department had made of the revenue that would accrue to the Exchequer if the bank levy were set at various incremental rates from 0.05% to 0.15% over the forthcoming period. However, not much information is available in that regard. The Financial Secretary's reply states:

"No external research was commissioned in respect of the bank levy prior to the financial statement. The proposed rate reflects the risks posed by the banking sector to the financial system and wider economy, whilst taking account of current economic circumstances and the UK's competitive position."

His answer also cites the Treasury's costings that were published alongside the Budget and adds:

"No quantitative estimates have been made of the differential behavioural effects of setting the levy at these other rates. An impact assessment will be published alongside the forthcoming consultation document."—[*Official Report*, 8 July 2010; Vol. 513, c. 412-13W.]

Page 19 of the costings document addresses the post-behavioural yield of the banking levy. It states:

"The key behavioural changes that we have assumed will impact on the yield forecasts beyond the pre-behavioural effects are: a reduction in the tax base as a result of the potential incentive for banks to remove liabilities from the levy base; a further switch towards longer-term funding at a similar magnitude

to pre-behavioural estimates; the levy will further reinforce existing incentives for banks to increase their capital positions in anticipation of expected regulatory reforms…in terms of avoidance behaviour we have assumed avoidance activity will decrease the yield by 5 per cent in each year of operation. This assumption is made to allow for appropriate margin in the public finances and does not represent an official estimate of avoidance."

That goes back to an earlier debate. So, despite my having probed this matter by asking a number of questions, we do not have any clear answers on the balancing effects of the reduction in corporation tax against the banking levy.

Ian Lucas: I commend the hon. Gentleman on tabling the amendment, but will he clarify the reference to

"all other sectors to which corporation tax applies"?

Does he think it would be helpful if that assessment took into account, for example, the effect of the reduction in capital allowances when making judgments about whether that is a wise course to take?

Andrew George: I am not sure that I am qualified to advise, but I am sure that the hon. Gentleman is right. If the Treasury could be encouraged to adopt this approach, I hope that it would at least ensure that it was sufficiently free-ranging to deal with any of the consequential behavioural activities that might arise as a result of such proposals.

Mr Kevan Jones: Although we are rewarding the banking sector, the proposals on annual investment allowances, which are cut in the Budget from £100,000 to £25,000, will directly affect many small and medium-sized businesses. Surely it is wrong that we are rewarding the people who got us into this mess in the first place, but penalising small businesses, which are getting a double whammy, because they are penalised by the lack of lending from the very institutions that we are rewarding.

Andrew George: Opposition spokesmen and the Treasury Ministers will have heard that intervention, which further embellishes the point that the hon. Gentleman wishes to make. I have no further comments to add, and I look forward to the Minister's response.

Mr Kevan Jones: It is a pleasure to follow the hon. Member for St Ives (Andrew George), who has become a rather lonely figure on the Government Benches. Last week, he was the only Liberal Democrat who was not defending the indefensible, for which I pay him credit. At least he is prepared to come to the Chamber and argue against the measures in the Budget that will affect his very poor community in Cornwall, unlike some of his colleagues, who make comments in the press, but are absent from debates on the Finance Bill. I hope that on at least one or two occasions he will join us in the Lobby to stop the effects of the measure on his constituents and mine, although I know that he feels uncomfortable about voting against the coalition.

In 2008, in the run-up to the general election, bashing the bankers was something that everyone wanted to do. It is strange that we now have a Finance Bill that will reward them. There has been a change in the past few months from the stance that the Deputy Prime Minister adopted on 20 April, when he described bankers as "reckless and greedy" and holding

"a gun to the head"

of the country.

I support the amendment tabled by my hon. Friend the Member for Nottingham East (Chris Leslie) and by my right hon. Friend the Member for East Ham (Stephen Timms), and the amendment tabled by the hon. Member for St Ives. I wish to deal with the effect on other sectors, which that amendment raises. We have discussed the banking sector a great deal, but it is important to look at other sectors, too. There has been a feeding frenzy, which suggested more or less that the previous Government got things wrong, and that we should be penalising the banking sector. That view was reinforced by the Prime Minister himself who, when he was in opposition, said on Channel 4 in December 2008 that

"more senior bankers should be sent to prison."

On another occasion, he should that they should do voluntary work rather than earn large bonuses in the City. The Conservative party went very quiet at the election, possibly because, as the Deputy Prime Minister said—and I agree with him—it is

"completely in hock to the City".

We have seen that position defended tonight.

A number of banks have clearly made huge profits. Barclays, as has been mentioned, had a 92% increase in profits in 2009, and stand at £11.6 billion. The Royal Bank of Scotland—remember that?—paid its investment bankers £1.3 billion in bonuses, despite making just £1 billion in profit. Lloyds has made a profit of up to £1 billion. The proposals in the Finance Bill to reduce corporation tax rewards the banks for the mess they got us into, and do not acknowledge the fact that the individuals in question have been carrying on regardless, even though, as several hon. Members have said, the people who have suffered will have their services cut. The members of the public who are the victims are somehow to blame for the financial mess that we are in.

I do not understand how—well, I can, because they are called Conservatives—in the lead-up to the election, people can speak tough words against the banking sector, but one of the first things they do is to reduce corporation tax and reward the individuals who got us into the mess in the first place. Those same Conservatives—this was raised by my hon. Friend the Member for Nottingham East—opposed all the measures that we took not only to ensure that the banking sector did not collapse but to protect the British economy.

Chris Leslie: My hon. Friend is making an extremely strong case for the amendments. Is it not the case that the Government absolutely have to try their best to pin the deficit on the Labour party, rather than, correctly, on the banking sector? If they took the latter course of action, they would have to increase the banking levy and would not make these changes to corporation tax. They are clearly not prepared to see justice done to those truly responsible for the situation we are in.

Mr Jones: That is true. The Government's drive to reduce public spending has very little to do with reducing the deficit. It is more an ideological move to reduce the size of the state. Unfortunately, like a boa constrictor, they have wrapped themselves round the Liberal Democrats, and will slowly squeeze the life out of them in the coming weeks, months and years. That is dawning on the hon. Member for St Ives, who does not want to be the mouse that gets squeezed at the end of the day. Let us hope that he will escape the clutches of the boa

[Mr Kevan Jones]

constrictor, which is slowly strangling the lifeblood from the modern Liberal Democrat party. I should not be too sympathetic to the Liberal Democrats, however, because I have spent a lifetime opposing them both in local government and nationally, so their demise might not be an unwelcome consequence of that strategy.

My hon. Friend the Member for Nottingham East has tabled an amendment that suggests that there should be a 28% tax on the profits of the banking industry, as defined by section 2 of the Banking Act 2009. The reason for that is supported very well in the Red Book. Paragraph 1.63 on page 26, which is entitled "Bank levy" says that

"the Government will introduce a levy based on banks' balance sheets from 1 January 2011, intended to encourage the banks to move to less risky funding profiles. The Government believes that the banks should make a fair contribution in respect of the potential risks they pose to the UK financial system and wider economy. Final details of the levy will be published later this year, following consultation. The levy will result in a rebalancing of the burden of taxation between banking and other sectors."

We have seen a very strange Finance Bill this year, with a very short preamble to be followed later by major changes. If we are going to have a major change which, in the Government's own words, is going to rebalance

"the burden of taxation between banking and other sectors",

I cannot understand why they are allowing the reduction in corporation tax for this year to apply to the banking sector. To me, it would seem right to wait for whatever the banking levy comes up with. That fits in very well with what my hon. Friend the Member for Nottingham East is proposing.

7.30 pm

When people who are going to face higher rates of VAT and other taxation realise that this money is going to be given to the banking sector, they will find it very difficult to understand. Earlier, it was said that the banks will not get back all the money taken off them by the levy—no, but they will get a large portion of it back. *[Interruption.]* I will give way to the hon. Member for West Suffolk (Matthew Hancock) if he wants to intervene. Is he suggesting that they should get the money back pound for pound? If we are talking about rebalancing, it is not much of a rebalancing act to take money away from them at one point and give the majority of it back through the back door.

Matthew Hancock: I thank the hon. Gentleman for inviting me to intervene. He has just admitted something that the hon. Member for Nottingham East (Chris Leslie) could not deny, but did not admit. After this Budget, because of the banking levy, the banks will be paying more tax relative to other sectors of the economy, and that is stated on page 26 of the Red Book. I am very grateful for that important admission.

Mr Jones: No, I am sorry, we do not admit that. I am not sure what point the hon. Gentleman is trying to make or whether when he went into the general election in May, he had on his election leaflets, "Yes, we will be tough on banks for the rhetoric in the lead-up to the election, but if we get into power we will do a con trick where we take the money with one hand and gave it back with the other." If, as the hon. Member for St Ives said, we do not know what the figures are, that makes it worse. We are asking the public to take severe cuts in public services and higher taxation, while at the same time the people who are still being paid high bonuses will get money back. That was reflected in a comment made earlier about the increase in bank share prices that took place once the Budget had been announced.

Clive Efford: To correct the hon. Member for West Suffolk (Matthew Hancock), it is just not true to say that the banks are going to pay more. Deutsche Bank has said:

"Taking 2% off the 2012 tax rate for the five banks listed in the UK would increase profit by £1.16bn, that is it should almost offset all of the banks tax. Overall a good outcome for the banks."

Similarly, HSBC said:

"We'd expect most domestically-orientated banks, for example Lloyds, to be better off after four years than they were pre-budget".

Mr Jones: I am grateful for my hon. Friend's intervention, which completely blows a hole in the myth that this coalition Government are somehow being tough with the banking sector. Not for the first time, we are seeing rhetoric overtaking reality. The spin and presentation that is the hallmark of the Prime Minister is clearly catching up with him now he is in power and able to help his friends in the financial sector.

This policy also has an effect in terms of the banking sector itself, because the banks that are being rewarded are the ones that got us into the mess in the first place. Most people will rightly be horrified by that prospect.

Ian Lucas: Does my hon. Friend agree that what makes it even worse is the fact that the banks are still not lending? We all have examples in our constituencies of businesses that have good business cases but are not securing the lending from these banks that are making massive profits.

Mr Jones: That is a good point. We have heard about banking codes and other ways of forcing the banks into lending, but many small and medium-sized enterprises will be paying for this. They are facing a double whammy, because they are paying for it not only through the reduction in investment allowances but, as my hon. Friend rightly says, through not getting access to the lifeblood of working capital that they need.

That brings me to what the hon. Member for St Ives said about other sectors. Amendment 50 says:

"This section shall not come into force until the Treasury has laid before the House of Commons an assessment of the impact of this section on—

(a) the banking sector, and

(b) all other sectors to which corporation tax applies."

That makes an important point about how this cut in corporation tax is being paid for—that is, through the reduction of the annual investment allowances, which from 2010 will fall from £100,000 to £25,000. That will affect a lot of SMEs in the manufacturing sector. One need only look at some of the comments that were made on Budget day. The Engineering Employers Federation, representing manufacturers, said:

"Reducing the corporation tax rate over time was in principle the right course of action. But financing it, in part, by cuts to investment allowances will be a heavy price to pay, especially for smaller companies. It might be a positive signal for large companies, but not for their suppliers."

That reflects a key point made in the amendment—the need to look at the effects on other sectors of the economy and how they are paying for this.

Even members of the coalition are feeling some concern about the corporation tax plans. The Secretary of State for Business, Innovation and Skills signalled a recognition that they could hinder the interests of British industry when he said in the *Financial Times* on 14 May:

"The one thing I would want to make sure is that the productive parts of the British economy are helped and not hindered by corporation tax changes...I will certainly make an input to the debate defending the interests of British industry and making sure there are proper incentives to invest."

We are now seeing this time and again in policy areas. The Liberal Democrats can protest all they wish, but they are being overruled on every single occasion, and this is clearly another example of that happening.

The Institute for Fiscal Studies and the EEF have both criticised the Government for reducing investment and capital allowances. The IFS's post-Budget briefing on business and capital taxes dated 23 June said:

"Biggest benefits go to low-investment, high-profit firms—banks and supermarkets rather than manufacturers".

The Budget talked about rejigging the economy away from the public sector and the banking sector into manufacturing, but this will not assist the manufacturing sector in any way at all. One can add to that the pressures that are resulting locally from the abolition of the regional development agencies and the nonsense that is going on with the freezing of grants for business investment. For example, Geka Manufacturing in my constituency, which vitally needs such a grant to secure 130 jobs in Stanley, has had it frozen by the Government. Local manufacturing SMEs are not only being hit by the corporation tax changes in the Budget but affected by the winding up of the RDAs in terms of the small business support that is vital for their investment decisions.

If we are to consider the effect on other sectors, as the hon. Member for St Ives suggested, we need to ensure that that includes not only SMEs but the manufacturing sector. If the Red Book is to be believed, I do not understand how the levy will result in a rebalancing of the burden of taxation between banking and other sectors. Clearly the SME sector will pay dearly, and that is in addition to some of the other matters that will affect it.

The cuts in capital allowances will prevent many SMEs from investing in vital equipment. That is no way to grow the economy in the way that the Government are suggesting. Despite the rhetoric that we heard before the election about bashing the bankers—*[Interruption.]* I say to my hon. Friend the Member for Glasgow East (Margaret Curran), who looks at me in horror, that I said "Bashing the bankers". Instead, the Government are going to give back to banks the money that they will take from the levy. As my hon. Friend the Member for Nottingham East pointed out, it would have been right to wait for the results of the 1 January review, whenever they come, before introducing the decrease for the banks.

I ask hon. Members to support the amendment, which makes sense. Once the public recognise what the Con-Dem Government are doing, they will be disappointed that the Government are basically letting the banks off scot-free.

Sajid Javid: I shall keep my contribution brief. I congratulate my hon. Friend the Member for Lincoln (Karl McCartney) on making a very good maiden speech, and I draw hon. Members' attention to my entry in the declaration of Members' interests.

Chris Leslie: There is not a Register of Members' Financial Interests currently published, so for the benefit of the debate could the hon. Gentleman inform the House what that interest is?

Sajid Javid: Yes, I am a shareholder in a bank. [HON. MEMBERS: "Which one?"] It is called Deutsche Bank.

Chris Leslie: How much?

Sajid Javid: That is not relevant. The hon. Gentleman can read the entry in the declaration of interests.

If we are to address the amendments properly and consider the changes to corporation tax that the Government have proposed not just for banks but for all companies, we cannot get away from the serious mess that the economy is in. As Members have heard on a number of occasions, as an inheritance from the previous Government, the Government are borrowing some £3 billion a week and our budget deficit is £155 billion, which is 12% of GDP—the highest in all G7 countries and the highest in Europe.

To address the issue, we need to consider how to restore growth to the economy and start paying back our debt. That will not just be through the changes in the Budget, such as raising extra taxes and cutting spending, but through restoring growth in our economy. That is at the heart of the changes to taxation, especially corporation tax, put forward in the Budget. The gradual reduction of corporation tax from 28 to 24% is all about giving business people and entrepreneurs incentives once again to take the risks that are always involved in starting and running businesses. It is such growth that will rejuvenate our economy and create the employment that we need to push up GDP and help us repay the debt that we have inherited.

Mr Kevan Jones: I know that the hon. Gentleman is a banker, and therefore possibly a bit detached from the SME sector and others, but how can cutting the investment allowances of SMEs and rewarding bankers with cuts in corporation tax make sense as a way to generate and grow new businesses?

Sajid Javid: I am not detached from small business, because my father was a small business man, I grew up in a small business and I know what it takes to make a small business grow. As well as hard work, it takes low taxes, less regulation and a desire for Government to get out of the way of business people. That is what this Government are desperately trying to restore after 13 years of the opposite.

7.45 pm

Stephen Timms: Was the hon. Gentleman surprised that the Office for Budget Responsibility reduced its estimate of future growth in the British economy following the Budget?

Sajid Javid: That is a misleading question, and it does not go to the heart of the matter. It is a nice try, but the right hon. Gentleman will really have to try harder than that.

To return to banks and how to get our economy going, as well as restoring incentives we need to get banks lending again. That was the only vaguely accurate

[Sajid Javid]

or factual point that I could pick up from the speech of the hon. Member for North Durham (Mr Jones). If we are to do that, we need to understand why they are not lending at the moment, and the major reason is a lack of capital for British banks. Banks across the world face the same problem. As a Government, we need to work out a way to restore the capital positions of banks so that they are willing to take the risks that are a necessary part of making lending decisions.

There are only three ways for banks to try to raise capital. The first is through the free capital markets, but today those markets are effectively closed to virtually all banks. Prior to the financial crisis, there were many instruments that banks could use to try to raise capital, including types of subordinated debt, hybrid equity instruments, tier 1 and 2 securities and common equity. Not only are those markets closed to banks today, but if Opposition Members have watched carefully what has happened in the financial markets over the past three or four months, they will know that banks cannot even raise senior debt effectively, let alone capital. Banks throughout Europe—especially those on the continent, but British banks included—are in many cases unable to raise that type of debt, let alone equity. The capital markets as an avenue to raise capital are closed.

The second option is for the Government themselves to give capital to banks. After the £70 billion-odd injection made by the previous Government, I do not believe that any Member of any party is advocating the Government injecting more capital into the banking system.

There is one final way left, which is to allow banks to hold on to some of their profits, if they are in a position to generate profits. No matter what Opposition Members would like to think, unless we create the conditions inside a bank that make it want to lend, there is no way to force it to do so.

Stewart Hosie: Technically, those are the three ways in which capital can be raised. Is the hon. Gentleman making a case, then, to oppose the Government's bank levy, which would keep an extra £2 billion in the banks and perhaps allow an extra £40 billion of lending?

Sajid Javid: No, not at all. We have to separate the two issues. The levy is about working towards a way of taking something back from the banks to build an insurance-type system, so that if things such as happened during the financial crisis happen again, the Government will have a mechanism to withdraw some capital from the banks. However, if we are to cut corporation tax on all companies, it would be madness to leave out the banks. They need to be allowed to build capital, not just for the sake of getting them lending again by putting them in a comfortable enough position to make that decision, but because of the impact on their competitiveness.

Whether we like it or not, our financial sector is a huge part of our economy, and it is much bigger as a percentage of GDP than that of many of our international competitors, even after the financial crisis. It accounts for thousands of jobs up and down the country, not just in the City but probably in each and every constituency. If we are to restore some health to our financial sector, it makes no sense to make it uncompetitive when compared with other sectors in our economy and with other countries. The banking and financing sector is one of the most mobile of all our economic sectors. If we have differentiated tax rates for one sector of the economy compared with others, that will only make matters worse. I therefore oppose the amendments.

Stephen Timms: I am grateful to the Exchequer Secretary for his kind remarks on my return to the Dispatch Box. He, along with many Members of all parties, was good enough to write to me after I was attacked and injured. I greatly appreciated all the messages of good will that I received, and I would like to put on record my thanks to all those from across the House who got in touch; I think that those messages have accelerated my recovery. I am grateful to the Exchequer Secretary for his words.

My hon. Friend the Member for Nottingham East (Chris Leslie), in an excellent speech when moving the amendment, raised some important points. I was also encouraged by the comments of the hon. Member for St Ives (Andrew George). I am pleased that he described himself as free ranging, and I hope that his freedom of ranging includes joining us in the Lobby. I am particularly keen to have the opportunity to vote on amendment 34.

The Chancellor told us in his Budget speech that he was being tough on the banks. Listening to some Conservative Members' speeches, I wonder whether they heard that part of his speech. He explained rightly:

"The failures of the banks imposed a huge cost on the rest of society, so I believe that it is fair and right that in future banks should make a more appropriate contribution, reflecting the many risks that they generate."

At that stage, it could well be that the Chancellor's words were consistent with the comment in the Red Book, to which the hon. Member for West Suffolk (Matthew Hancock) drew our attention. It states:

"The levy will result in a rebalancing of the burden of taxation between banking and other sectors."

Who knows to what a "rebalancing of the burden" amounts? It could mean something pathetic and small. However, the Chancellor went further in his Budget speech. He said that the introduction of the bank levy would entail

"a greater contribution from the banking sector—one that far outweighs any benefit that it will receive from the lower tax rates that I have just announced." —[*Official Report*, 22 June 2010; Vol. 512, c. 175.]

The Chancellor told the House that the cost of levy to the banks would "far outweigh" any benefit that the banking sector received. Listening to the speeches of the hon. Member for West Suffolk and the hon. Member for Bromsgrove (Sajid Javid), I do not think that they heard that part of the Chancellor's speech.

My hon. Friends the Members for Nottingham East and for North Durham (Mr Jones) queried whether the levy, in so far as we know about it—the hon. Member for St Ives told us something about it—would fulfil the Chancellor's words and far outweigh any benefits that the banks receive from the reduction of corporation tax. It is odd, as my hon. Friend the Member for Nottingham East pointed out, that for all the appearance of toughness in the Chancellor's speech, bank shares actually went up after his announcement.

Matthew Hancock: The right hon. Gentleman may have misheard my earlier comment. Can he be surprised about the Chancellor's comments when page 101 of the Red Book states that the bank levy raises £2.5 billion and the corporation tax cut in 2013-14 will cost £700 million? It is therefore no surprise that the bank levy raises more than the cut in corporation tax to the banks. That is precisely the point that I made earlier.

Stephen Timms: I am not sure about the figure of £700 million. I hope that the hon. Gentleman is not telling us that the reduction in corporation tax will decrease that tax take by £700 million. That is incorrect—perhaps he was citing a partial figure. However, that is why we need a report. I would genuinely like to know the impact specifically on the banking sector of a four percentage point reduction—it was not long ago that the banks accounted for a quarter of all the corporation tax receipts that the Exchequer collected—compared with the £2 billion cost of the levy.

Andrew George: The Red Book costings on page 19, in table 3 refer to the yield from the bank levy across fiscal years. In 2011-12, the figure is £1.15 billion, and in 2012-13, it is £2.32 billion. It is important to clarify that for the record.

Stephen Timms: I am grateful for that clarification. However, my hon. Friend the Member for Nottingham East described the background, pointing out the rather surprising fact that, after the tough talk, banking shares rose. He cited some of the analysts and mentioned the note from BNP Paribas, entitled

"UK Bank Levy: Bark Worse Than Its Bite?"

The note explained the reasons for that. It states:

"As things turned out for all the pre-election vitriol aimed at the UK banking system, the impact of today's measures appears materially lighter than expected."

The ratings agency Fitch said the levy would have "no impact" on the ratings of any UK bank. FT.com reported ideas being developed by the Swiss bank, UBS, to reduce the impact of the levy through some careful so-called "balance sheet management." My hon. Friend the Member for North Durham pointed out that the banking levy is supposed to be based on bank balance sheets, so I suppose that it is no surprise that organisations such as UBS are thinking about what they can do to manage to balance sheets in such a way as to reduce the impact of the levy. That takes us back to our earlier debate on avoidance and evasion, and why legislation often turns out to be more complex than people originally intend: it has to address such behaviour.

My hon. Friend the Member for Nottingham East also rightly made the point that several banking analysts were quoted after the Budget as saying that the cut in corporation tax from 28% to 24% would "negate" the impact of the levy on bank profitability. We need to know the truth of the matter, and that is why the amendment calls for a report. It is certain that the amount payable under the levy will be offset—at least in part and possibly wholly—for banks making a profit by the reduction in corporation tax in the next few years. It is entirely plausible for the amount due under the levy to be more than offset for some banks—possibly for all banks—by the reduction in corporation tax under the clause, together with reductions over the next few years.

The Chancellor said in his Budget speech that the contribution under the new levy would "far outweigh" the benefit from corporation tax reduction, but to put it kindly, it is by no means clear that that will be the case. I would not favour a different, higher rate of corporation tax for the banks. That would raise several difficulties, but given that the Chancellor has made clear his view that the banks should make a larger contribution in the light of what has happened, that the increase in the tax they bear should "far" outweigh the reductions they enjoy—of which the clause outlines the first—I hope that the Exchequer Secretary will agree that a report along the lines suggested in the amendment, and in the strikingly similar amendment that the hon. Member for St Ives tabled, would be a valuable contribution to transparency and to understanding the impact of the Budget measures. I also hope that the Minister sets out as much information as possible to illuminate the impact of the corporation tax cut on the banks in comparison with the bank levy.

The nub of the issue is this: can the Minister substantiate the Chancellor's claim that the impact of the bank levy will "far outweigh" the impact of lower corporation tax? If the Minister is unable to accept amendment 34, I should like to press it to a Division.

8 pm

Matthew Hancock: I shall keep this contribution extremely brief, given the hour. I was surprised by some of the arguments made by Opposition Members. I am not all that surprised that the right hon. Member for East Ham (Stephen Timms), the shadow Minister, does not support amendment 21, which was moved by the hon. Member for Nottingham East (Chris Leslie), not least because before the election he said we would need any bank levy to be globally agreed. Indeed, the current shadow Chancellor, the right hon. Member for Edinburgh South West (Mr Darling), said:

"Countries can't go it alone. It is very important that we do this internationally".

Conservatives and Liberal Democrats campaigned during the election for a unilateral bank levy, no matter what happened in the rest of the world, so it is not surprising that we do not listen to Opposition Members who argue that they are now in favour of one. They have performed a U-turn in an extremely short time.

Another point I want to make is that the shadow Minister said that his party's policy is that corporation tax should be the lowest in the G7, but Italy's corporation tax is now 27.5% and Canada's is set to be reduced to 27.2%, which means that Labour's policy is to reduce corporation tax, including on the banks, as he just confirmed, without the bank levy. A bank levy would more than offset the corporation tax reductions, so Labour Members are in all sorts of a tumble on this.

Everybody will note the difference between the Government, who argued before the election that we needed a unilateral bank levy and who are delivering it within seven weeks, and Labour Members, who argued that we should not have a bank levy, before performing a U-turn within 10 weeks.

Mr Gauke: Amendments 21, 34 and 50 relate to the impact of the corporation tax cuts on the banking sector. Amendment 21 would leave the

"main rate of corporation tax for financial year 2011...at 28%"

[Mr Gauke]

for

"banking institutions", disapplying the 1% decrease, and amendments 34 and 50 ask for an assessment of the impact of the rate reduction on banks.

The proposals are helpful. Understandably, there is a frustration with the banking sector and a desire that it pay a fair share. The Government share that belief. We think that banks should make a fair contribution in respect of the risk that they pose for the UK financial system, which we have seen in the past few years. That is exactly why we announced in the Budget the introduction of a bank levy from 1 January 2011. Tomorrow, my hon. Friend the Financial Secretary to the Treasury will announce a public consultation with a view to implementing the levy on that date, and the measure will be included in next year's Finance Bill.

The levy is a surgical approach, intended to encourage banks to move to less risky funding profiles, and a contribution reflective of economic risk. A tax based simply on profits, such as corporation tax, is not related to risk and will not create the behavioural effect that we believe the banking levy will achieve.

The overall impact on banks of the proposed reduction in corporation tax depends on a number of factors, and I will provide some details in a moment. None the less, I should like to put it on record that it is entirely right that hon. Members ask such questions. My hon. Friend the Member for St Ives (Andrew George) made a thoughtful and probing speech, and I was also interested to hear the comments of the right hon. Member for East Ham (Stephen Timms). However, I wondered, given his concern about the impact on the banking sector, precisely which angle he was coming from. Those who remember the debate prior to the general election will recall, for example, the remarks of the then Chancellor, the right hon. Member for Edinburgh South West (Mr Darling) who, in an interview on "The Andrew Marr Show" on 21 March, argued against proposals for a unilateral bank levy, saying that he thought it could work only if there were international agreement, as my hon. Friend the Member for West Suffolk (Matthew Hancock) said.

Of the Conservatives' policy of introducing a unilateral bank levy, which was also a policy of the Liberal Democrats, the then Chancellor said that we were taking a hell of a risk, given that the banking industry employs more than 1 million people in this country. He seemed to be somewhat concerned that we were going to far and too hard. I do not know whether the shadow Minister is worried because the proposals are too tough on the banks, or because they are not tough enough.

Chris Leslie *rose—*

Mr Gauke: That is not an accusation of ambiguity that I could lay at the hon. Gentleman's door.

Chris Leslie: I thank the Minister at least for that recognition, but I wonder whether he could take some time to justify the fact that the proposed banking levy is so low in relation to, for example, the American arrangement. Does he understand the incredulity and frustration that banks should be given this cashback bonus in the form of the corporation tax cut at this particular time? I want to hear him justify that.

Mr Gauke: Let me turn to the heart of this matter, because we have had quite a lengthy debate on it. We have heard concerns that the corporation tax would cancel out the effect of the bank levy or offset it, and that there would be a cashback bonus, to use the hon. Gentleman's phrase. The shadow Minister asked whether the banking levy will "far outweigh" the benefit to banks of the cut in corporation tax. Perhaps the easiest thing I can do in response—there is much more one could say about corporation tax, and I will in future debates—is to refer to my answer to the right hon. Member for Holborn and St Pancras (Frank Dobson), who asked the

"Chancellor of the Exchequer what estimate he has made of the revenue from the financial services sector to be foregone by the Exchequer as a result of the proposed reduction in corporation tax in each financial year to 2015-16."—[*Official Report*, 1 July 2010; Vol. 512, c. 610W.]

We have the numbers only until 2014-15, and I should point out that the financial services sector is somewhat broader than just banks. It includes insurance, pension funds and auxiliary financial services, so the numbers refer to the corporation tax cost not only for banks, but for other financial services. However, I will compare those with the bank levy yield. For 2011-12, the corporation tax costs will be £0.1 billion, whereas the bank levy yield will be £1.15 billion; for 2012-13, corporation tax costs will be £0.2 billion, compared with a bank levy yield of £2.32 billion; for 2013-14, corporation tax costs will be £0.3 billion, compared with a £2.5 billion additional yield from the bank levy; and for 2014-15, the corporation tax costs will be £0.4 billion, compared with a bank levy yield of £2.4 billion. Even in this last year, where the differential is at its narrowest, we can see that it has not been cancelled out or offset. There is no cashback, and the banks are not quids in as a consequence.

The test that the shadow Minister gave was whether the bank levy yield far outweighs the benefit of the corporation tax change, and the answer is clearly yes. Given that the proposal for a differential corporation tax rate in amendment No. 21 is not supported by the Front Benchers of the party to which the hon. for Nottingham East (Chris Leslie) belongs, I urge him to withdraw it.

Chris Leslie: The Minister is saying that £400 million is a small amount to be given in cashback to the banks in this corporation tax giveaway, but that sum could offset the necessity to scrap the health in pregnancy grant. It could offset the need to reduce the maternity allowance to just the first child. Those are important for users of public services, and he surely understands that.

Mr Gauke: Our aim was to rebalance the tax system. We are requiring the banking sector to pay at least £2 billion more in tax as a consequence of these proposals. That is not a minor matter. Other sectors, including manufacturing, will benefit from the reduction in corporation tax, but the banks will not benefit because we are introducing the bank levy. I urge the hon. Gentleman to withdraw amendment No. 21, given that his Front Benchers recognise the difficulties of a separate corporation tax rate for banks. I believe that I have satisfied the tests set out by the right hon. Member for East Ham, because the bank levy yield far outweighs the benefits of the corporation tax for banks.

I hope that I have satisfied my hon. Friend the Member for St Ives—

Andrew George: The corollary to the corporation tax cut is the banking levy, but although I respect the information that my hon. Friend has given in his reply so far, he has not yet addressed himself to the criteria for the setting of the banking levy and why it has been set at the proposed level—*[Interruption.]*

The Temporary Chair (Mr Benton): Order. The background noise is a little high. Will Members please keep it down?

Mr Gauke: Beginning tomorrow, we will consult on the bank levy. The intention is to find a means of discouraging risk, and that is why the targeted approach of the bank levy is appropriate. It will raise additional revenue, and it is right to do so. We think that we have the balance right in raising additional revenue while enabling banks to lend more, and we are also taking steps to encourage that further.

In conclusion, I think that I have satisfied the concerns underlying the amendments and I hope that the amendment will not be pressed to a Division.

Chris Leslie: Having heard what the Minister had to say, I am not convinced that he makes a case for giving away £400 million to the banks, especially as Members on the other side of the House constantly ask us where the money would come from and how we would reduce the deficit. That sum would offset the need to abolish the health in pregnancy grant. It would offset the need to reduce to the CPI the indexation of housing benefit. It would offset the need to scrap the maternity allowance for second children, and so on. I hope that my hon. Friends will remember the £400 million giveaway to the banks in this corporation tax reduction.

I recognise that the consensus in the debate is that it is important to test the right amendment this evening. I therefore wish to withdraw my amendment, but I hope that one of the amendments that would require the Treasury to justify and assess the impact of the corporation tax change on the banks will be tested. That is the least we should be doing.

I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendment proposed: 34, in page 1, line 6, at end add—

'(2) Prior to this rate taking effect, the Chancellor will place in the Library of the House of Commons an assessment of the impact of this clause on the banking sector.'.—*(Stephen Timms.)*

The Committee divided: Ayes 228, Noes 318.

Division No. 16] **[8.15 pm**

AYES

Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana R.
Jones, Graham
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lavery, Ian
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Mearns, Ian
Michael, rh Alun
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert

Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Robertson, Angus
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Seabeck, Alison
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Singh, Mr Marsha
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Woodcock, John
Woodward, rh Mr Shaun
Woolas, Mr Phil
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Helen Jones and
Mrs Sharon Hodgson

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Hague, rh Mr William
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunt, rh Mr Jeremy
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy

Paice, Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Mr Philip Dunne and Mark Hunter

Question accordingly negatived.

8.30 pm

Stephen Timms: I beg to move amendment 49, page 1, line 6, at end add—

'(2) In section 2(2)(a) of the Finance Act 2010, after "companies", add "not meeting the condition in (c) below".

(3) At the end of section 2 of the Finance Act 2010 add—

"(c) 26 per cent. on profits of companies whose taxable profits will be increased by more than 1 per cent. as a result of changes in investment allowances."'.

It is a puzzling feature of the Budget that, on the one hand, the Chancellor is gambling on a big increase in investment, and basing his Budget arithmetic on the belief that investment will grow in each of the next three years at a rate that has been achieved in only one year in the last 40. That is an heroic assumption about investment growth, and if it proves to be untrue, the Budget gamble will fail. At the same time as banking on that huge increase in investment, he has announced that he will drastically cut the incentives for investment. The rates of capital allowances will be reduced from 20% to 18%, and the annual investment allowance will be cut by three quarters, from £100,000 to just £25,000. It is hard to see how the forecast growth in investment can be reconciled with such a big cut in investment allowances. The Budget was billed as Britain being open for business, yet it will clearly reduce the prospects for growth, as the Office for Business Responsibility confirmed in its two projections, before and after the Budget. Indeed, the International Monetary Fund, in its projections last week, also downgraded its growth forecast for the UK economy as a result of the Budget.

We have here a collision of conflicting objectives, which we highlight in the amendment. We propose a lower rate of corporation tax for companies that lose out from the reduction of allowances above a certain threshold. The Institute for Fiscal Studies pointed out before the election that the losers as a result of the Conservatives' approach would be those making big investments and earning modest profits, notably

"in the manufacturing and transport sectors",

and that the gainers would typically be in the financial sector.

We do not yet know what the legislation on allowances will say. The Chancellor said in his Budget speech that the change in the rate of capital allowances and the lower annual investment allowance would not take effect until 2012. Will the Minister confirm that the coalition Government are planning no reduction at all in investment allowances in the current financial year? Will the changes announced by the Chancellor in the Budget be in the Finance Bill later this year or will they be delayed until next year's Finance Bill? I hope that the Minister will also comment on the principles underlying our amendment. How can it make sense to reduce so drastically the incentives for investment in a period in which the Budget depends so heavily on an unprecedentedly large and sustained increase in investment?

Mr Gauke: As I have already explained, the Chancellor or the Exchequer set out a business tax package in the Budget that included rate cuts and reductions in allowances that are good for business and growth overall. Amendment 49 proposes that clause 1 be amended to reduce the main rate of corporation tax to 26% for those companies whose tax bill will increase by more than 1% as a result of the reduction in investment allowances. That is a somewhat complex mechanism, but it provides an opportunity to raise the matter of capital allowances.

As part of a package to improve the UK's competitiveness, it was announced that from April 2012 there would be reductions in the rates of writing-down allowances for plant and machinery and a reduction in the annual investment allowance. The Government will reduce the main rate of corporation tax to 26% that year—2012—and by that reduction, alongside changes to allowances, we will achieve the results that the amendment seeks. Furthermore, by not implementing the changes to allowances for two years, but reducing corporation tax rates next year, we are giving companies a full year

[Mr David Gauke]

to benefit from the reductions in rates, alongside current levels of allowances. Further reductions in the main rate of corporation tax follow in later years and capital allowances remain broadly in line with average rates of economic depreciation. To answer the shadow Minister's questions, no changes are made to the so-called investment allowances in this Finance Bill and none is planned for the next financial year.

Barry Gardiner (Brent North) (Lab): Why does the Minister believe that, if the Budget begins to work and we see businesses begin to pull the country out of recession, that is the right time for the Government to take away the incentive for further investment in business growth? That seems paradoxical to us all and to damage the very prospects of the recovery that he claims he wants to aid.

Mr Gauke: As I said a moment ago, the changes to capital allowances will take effect from 2012, and we believe that there is a substantial benefit for the UK economy in reducing the corporation tax rate. Indeed, it is a direction of travel that our predecessors followed when they reduced the rate from 30% to 28%, but we do not think that that went far enough. The point was raised in earlier debates that the UK has lost its competitive advantage in having a relatively low rate of corporation tax, as a number of other countries have cut their corporation tax rates much further than we have over the last 13 years. We believe that the lower rate sends a very clear signal that Britain is open for business and it is a demonstration of the direction of travel in which we are going. Assessment of the impact of Budget measures on investment over the next few years suggests an increase in investment of £13 billion.

The Budget thus provides a set of proposals and a set of reforms to corporation tax that will encourage further investment. As I say, it is a sign that Britain is open for business and a sign to investors and businesses throughout the world that the UK is a good place in which to do business. We believe that the package as a whole is well balanced and that it will aid a private sector recovery, partly funded through reforms to capital allowances and partly through the bank levy, as we debated earlier. Legislation is not required for the changes in capital allowances in this Finance Bill or indeed in next year's, but we have set out a clear sense of direction that has been welcomed by business groups as a whole. We therefore urge the shadow Minister not to press the rather complicated amendment 49. It will not make any difference, because we will legislate to this effect in any event—without the complicated mechanism in the amendment. I urge him to withdraw it.

Stephen Timms: I am disappointed by that response. I am disappointed that my hon. Friend the Member for Brent North (Barry Gardiner) did not get an answer to the telling point that he put to the Minister. There is a real issue about how this large increase in investment is supposed to be achieved at exactly the time that incentives for investment are being reduced. Nevertheless, I shall not press the amendment to the vote. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Question proposed, That the clause stand part of the Bill.

Stephen Timms: We have had useful and important debates about the amendments to clause 1, but some important points remain to be discussed. I have no wish to oppose the clause, and I will not encourage my hon Friends to vote against it. However, we need to ask some significant questions, in particular about why the clause does not contain items that we might have expected.

Small companies will face a worrying and uncertain time over the next few months, and we would all sign up to the proposition that they are the lifeblood of the UK economy, yet the Bill does nothing to help them. The Budget did not do much either, but at least it included the 1 percentage point reduction in corporation tax. Inexplicably, that measure has been omitted from the Bill. Will the Minister tell us why? What was the basis for selecting the measures in the Bill? Is the Bill's purpose simply to ensure that the increase in VAT is legislated for before Liberal Democrat Members have the opportunity over the summer to learn what their constituents think about it, or perhaps before their party conference has a chance to express a view in September? Were the other measures included just to make up the numbers and pad out the Bill? Alternatively, is there another criterion—urgency, presumably—for what is included in or omitted from the Bill? If so, why was it urgent to legislate for the large companies rate but not the small companies rate? The more we look at the Bill, the more it appears to be a rag-bag of measures to give an impression of substance, when in reality it is all about railroading the VAT increase through Parliament before the Liberal Democrats wake up.

Businesses of all sizes face a worrying time. As the National Institute of Economic and Social Research pointed out last Thursday,

> "Fiscal consolidation, both in the UK and the euro area, will restrict growth".

The IMF's startling post-Budget growth downgrade for the UK last week made the same point. *The Daily Telegraph* expressed it bluntly on Friday, "UK austerity drive threatens to snuff out recovery, IMF warns", and went on to summarise the IMF message thus:

> "Britain's fledgling recovery may be nipped in the bud by the savage cuts".

A lot of other evidence points in the same direction. Last Monday, the monthly report on business confidence showed that, far from the Budget placing an "Open for business" sign above Great Britain plc as the Chancellor had hoped, business confidence suffered the biggest one-month fall ever recorded in June, the month in which the Budget announcements were made. With confidence on a sharp downward trajectory, the truth is that the Chancellor is taking an enormous and unwarranted risk with the UK economic recovery.

Our case is clear: in taking such an enormous and unjustified risk with the recovery, the Budget judgment was wrong. Businesses and their employees, as well as those who work in the public sector, will pay the price. As was mentioned earlier, small manufacturing firms will be hit particularly hard by the Budget, as the Engineering Employers Federation pointed out in its Budget response, to which my hon. Friend the Member for North Durham (Mr Jones) referred. The EEF said:

"Reducing the corporation tax rate over time was in principle the right course of action. But financing it, in part, by cuts to investment allowances will be a heavy price to pay, especially for smaller companies."

It might be a positive signal for large companies, but not for their suppliers.

8.45 pm

The Budget significantly reduces the incentives for investment by small and medium-sized enterprises. I shall say more about that in a moment. Large companies will benefit from the proposed reduction in the corporation tax rate from 28% to 24% over the next four years, but small companies will not. They have been promised a reduction of only 1 percentage point in 2011, from 21% to 20%, and, inexplicably, even that has been omitted from the Bill.

It is perfectly true—as the Minister may well remind me—that before the election we proposed an increase in the small companies rate of corporation tax, rather than the decrease that I am now suggesting. However, we did not propose, as the Budget has, that the annual investment allowance should be cut by three quarters, from £100,000 to £25,000. We did not propose a cut in the rate of capital allowances either.

Now that we appear to have a firm commitment from the Government to reducing the main rate of corporation tax by four percentage points—although for some reason only one of the four is in the Bill, which I also wish to query—I hope that the Minister will be able to hold out the prospect of further reductions for small companies as well, beyond the 1 percentage point reduction announced in the Budget and, for some reason, not included in the Bill. I hope that the Minister can give some comfort to small companies that face great anxieties about what will happen over the next couple of years.

Let me return to the other puzzling omission. Given that the Chancellor made a great show of providing certainty by announcing annual reductions in the rate of corporation tax up to 2014, why does the Bill provide for only one year's reduction, rather than all four? When I queried that on Second Reading, the Chief Secretary told me:

"the practice in Finance Bills is to legislate one at a time for the changes that are needed in the following years."

I should be interested to know from the Exchequer Secretary the basis for that claim. When I queried it on Second Reading, the Chief Secretary—prompted, I believe, by the Economic Secretary to the Treasury, the hon. Member for Putney (Justine Greening), who was sitting next to him and who will respond to the debate tonight—told me that there were

"various technical reasons... which the Exchequer Secretary will explain in his closing speech. The basic point is that our method is more business-friendly."—[*Official Report*, 6 July 2010; Vol. 513, c. 207-8.]

The Exchequer Secretary did not explain that in his closing speech. As I was not present for his closing speech, I will not complain about that, but I do ask him to explain it to us today. How can the Government's method be "more business-friendly"? Certainty is key here, but in the absence of legislation there can be no certainty.

As I said on Second Reading, the precedent is very clear. Nigel Lawson, as Chancellor, announced a series of four reductions in the rate of corporation tax, from 50% down to 35%, and they were all legislated for in clause 18 of the Finance Act 1984. As far as I know, there is no other precedent for four successive annual reductions in the rate of corporation tax, so what the Chief Secretary said about practice in Finance Bills was clearly incorrect.

The debate in the House on 1 May 1984 makes interesting reading. Roy Hattersley pointed out that because the reduction in the rate was being funded by allowance cuts, there would be an increase in the tax paid by manufacturers. My hon. Friend the Member for Great Grimsby (Austin Mitchell) made a notable contribution. Speaking for the then Government, the Exchequer Secretary's predecessor John Moore explained that

"The clause proposes a four-year programme of reductions in the main rate of corporation tax."—[*Official Report*, 1 May 1984; Vol. 59, c. 274.]

So it is certainly not the case that the practice is to legislate a year at a time. I have been unable to find any complaints in 1984 that it was contrary to the interests of business to legislate in one go, and I find it hard to imagine that anyone would have complained. It seems much more likely that the Government simply could not be bothered to produce for the Bill the slightly longer legislation required alongside the very small clause to implement the reduction in the small companies rate of corporation tax because they were making such a headlong rush to get the all-important VAT rise on to the statute book before the summer.

One suggestion has been made for legislating only for the first year, namely the impact on deferred tax. I shall listen with great interest to the Minister's answer as to whether it is the right explanation. Accounting standards require the declaration of deferred tax assets or liabilities at the rate that has been "substantively enacted" by the date at which a balance sheet is compiled. For companies with large losses to offset for tax purposes against their future profits, a reduction in the rate of corporation tax would require them to reduce the value of their deferred tax assets on the balance sheet. For some banks that could be a very large number, which is why, to refer back to what the Minister was saying, their corporation tax for the next few years will be a lot lower than would otherwise have been the case.

The Minister may therefore be balancing the advantages of providing certainty for inward investors—of showing that Britain is open for business—and the benefits of legislating now for the next four years and of supporting manufacturers against the headache that could be caused for some banks. When the Chief Secretary says it is more business-friendly to do this one year at a time, perhaps he just means that it is helping out some banks.

Stewart Hosie: I am listening carefully to the right hon. Gentleman's comments, and I rise to seek the following clarification. Am I right that it was in fact the previous Government who—sensibly—allowed unused tax assets to pay, at least in part, for the asset protection scheme to protect all of us against non-performing and toxic assets?

Stephen Timms: Indeed, and I am certainly not arguing against the long-established mechanism allowing tax losses to be used in that way. I am simply querying, just as a matter of fact, whether that is the reason why this

[Stephen Timms]

Bill only makes one of the four promised year's reductions in corporation tax. I have certainly not come across any other suggestions as to why the Bill is doing that in that way. People who have deferred tax liabilities—as opposed to the banks having deferred tax credits—would benefit from early enactment of the lower rate. Typically, that is people such as manufacturers. If that is the reason, this is, sadly, another case of helping out the banks at the expense of manufacturers.

Surely the Institute of Chartered Accountants in England and Wales is right to say that

"to provide better certainty for businesses"

there should be legislation

"as soon as possible for the proposed reductions in the main rate of corporation tax".

When will the Government legislate for the remaining reductions? Will they do so in the Finance Bill that we have been promised in the autumn? Are we really going to have to wait for four years of Finance Bills to complete these reductions, as the Chief Secretary suggested, or can we look forward to legislation in the Finance Bill No. 3 of 2010? If certainty for business is the aim, it surely must be done this year at least.

When do the Government intend to introduce their changes to the rate of capital allowances and the annual investment allowance? I listened carefully to what the Minister said about that and perhaps I missed the point but I did not quite grasp which piece of legislation he envisaged those changes being made in. Will they be in the further Finance Bill in the autumn or will they await next year's Bill? By that time, I suppose we might have some further data on the actual change in business investment in the next 12 months and how that compares with the change on which the Chancellor is pinning his Budget arithmetic.

There is something else about which the Bill is silent but on which we might have expected some change: the differential compared with the main rate of corporation tax inside the North sea ring fence. The ring fence for North sea operations rightly prevents taxable profits from oil and gas extraction in the UK and the UK continental shelf from being reduced by losses from other activities or by excessive interest payments. The ring-fenced corporation tax rate was the same as the main corporation tax rate, until the previous Government reduced the main rate from 30% to 28% from 1 April 2008; we left the ring-fenced rate at 30%. Now that the main rate has been announced as falling to 24%, do the Government intend to leave the ring-fenced rate at 30% throughout the next four years, thus trebling the differential from two to six percentage points or is a reduction to the ring-fenced rate being considered, perhaps along with some other changes to the fiscal regime for oil and gas extraction?

Let me finish by asking one further question. As I reminded the House, it was the previous Government's explicit aim that corporation tax in the UK should be the lowest among the G7 economies, and we succeeded in achieving that aim. That is one of the reasons why the UK has been so successful over the past decade in attracting so much overseas investment into our economy. Do the present Government intend to ensure that we continue to have the lowest rate of corporation tax in the G7? Will that commitment be maintained?

As I explained at the outset of my remarks, it is not my aim to oppose this clause, but I hope that the Minister will provide some explanation for the omissions I have highlighted, and in particular give an account of why the remaining reductions in the rate of corporation tax have been delayed, and say when the legislation for them will be introduced.

Chris Leslie: I am grateful, Mr Benton, that you have seen fit to allow a stand part debate on this important clause, especially at a time when every measure in the Finance Bill and the Budget as enacted needs sufficient scrutiny to ensure that the general public can have confidence in the fact that any revenue forgone is forgone for a good purpose. At a time when our public services are threatened and look set to be cut so significantly, it is very important that, if this country is to give away potential yield through changes such as the corporation tax, this is done for the right reasons.

It is important to note that we want a healthy economy and for our companies, by and large, to be profitable and doing well. I do not, of course, want to revisit in too much detail our debate on the banking sector, but I point out that it is necessary to have an environment in which our companies can be competitive on a global scale, and to ensure that they can succeed. While we want companies to be profitable, we also want them to reinvest a lot of those profits, so that they can improve the capital stock, improve the ingenuity and enterprising innovation that goes on within such companies, and have a longer-term profitability trajectory. It is for those reasons that I am perplexed by the drastic reduction in capital allowances, to just £25,000. Manufacturing companies—the institutions that produce the actual goods we can sell and export abroad—may well be disadvantaged relative to other sectors of the economy.

Barry Gardiner: Is my hon. Friend aware of the predicated growth, contained in the Government's figures, of the private sector generation of income into the Treasury over the next five years, and does he believe that that is compatible with the reduction in capital allowances that has been announced? In particular, would he care to comment on the timing of that reduction at precisely the moment when—if the Chancellor's figures were to work out—the economy would be about to see the largest part of its expansion?

9 pm

Chris Leslie: I am very disturbed that the Chancellor's measures are coming at a time when our manufacturing industries are potentially just finding their feet and beginning to think about turning the corner out of the recession. Taking away some of those crucial allowances will not only affect those niche companies, which will, in turn, be the producers of the tool manufacturing equipment and the entrepreneurs whose work is so necessary and has perhaps been funded and supported by those allowances, but will, in a general context, potentially reduce the competitiveness of that particular sector of the economy.

It is a more general matter of debate whether some sectors of the economy benefit more than others from the corporation tax change. As I have said in previous debates, I am not sure whether my constituents would feel that the oil companies, the utilities and the banking sector should also have the gains from this corporation

tax reduction. As I said in our debate some time ago, I am not convinced that now is the time to be giving away a £400 million windfall to the banking sector in this corporation tax cut.

Jon Trickett (Hemsworth) (Lab): I am listening carefully to my hon. Friend's argument. Has not the largest single factor in this recession been, in effect, a private sector investment strike? I am talking about the fact that £6 out of every £10 of the fall in gross domestic product is attributable to a single factor, which is that the private sector some time ago decided not to invest. There are all sorts of reasons why that should be, one of which is the failure of the banks to provide the capitalisation to allow those companies to invest—that touches precisely on the point that he was just making. Given that level of inactivity in investment, are we not facing both an increasingly inefficient private sector and, as has been said, the cuts in the allowances, which will make things worse?

Chris Leslie: Indeed that is the case. I know that my hon. Friend has done a great deal of work on some of the analysis of these points. There are arguments to be made for reducing corporation tax to boost competitiveness, but clearly that is a way of encouraging profit-taking and, in turn, the removal of money from companies in the form of dividends. That, of course, benefits us all in some ways, because we are all members of pension funds and so on. However, if it is indeed the Government's particular choice at this point in time, as we are coming out of a recession, to try to encourage companies to focus on their long-term profitability, might it not be a better strategy, in some respects, to retain some of those capital allowances to ensure that we can fix our banks such that they are able to supply much-needed credit to small companies, in particular, and to the wider industries across the board?

Barry Gardiner: My hon. Friend rightly talks about the need for companies to pay dividends and the benefits of that for all of us in society, in particular pension fund holders. Does he appreciate that the portfolio of shares that our pension funds all hold can also increase in value by incentivising companies to reinvest in themselves? That happens by the increase in value of the company through the increased investment that it has made in itself. Is that not a more efficient way of doing things than paying out dividends, which may simply go into private pockets for consumption?

Chris Leslie: That is a moot point and I would not go to the wall to argue against reducing corporation tax in this way. All I am suggesting is that there are other strategies that I do not feel that the Government have properly explored. We ought to be focused on growth and on how business can contribute to it. Let us not forget that we have such a deficit situation in this country not because of so-called excessive public service consumption but because tax receipts have been so depressed. That has partly been caused by the credit crunch and the lack of credit available, which provoked the private sector investment strike that has been mentioned by my hon. Friend the Member for Hemsworth (Jon Trickett).

Stewart Hosie: When the hon. Gentleman and his hon. Friend talk about a private sector investment strike, I wonder whether it might not be because there has been negative growth in unused sterling credit facilities for the past 27 months. Businesses, large and small, have simply been unable to get the cash.

Chris Leslie: Indeed. There are liquidity problems across the economy and they remain. There are rumours in the air about the return of quantitative easing and that we might be entering into double-dip recession territory. All these things prove that the so-called independent Office for Budget Responsibility's downgrading of growth predictions as a result of the measures in the Budget suggests that the Government had a choice in their hands to steer the economy in a particular direction and that they have chosen not the pro-growth path that the Liberal Democrats and the Labour party advocated before the election but, because of the damascene conversion of the Secretary of State for Business, Innovation and Skills the day after the general election, the anti-growth path. They will take a whole chunk of money out of the economy by cutting public services so steeply and so massively in such a short space of time.

Andrew Bridgen (North West Leicestershire) (Con): Does the hon. Gentleman not appreciate that there is no money for the private sector from the banks because of the legacy of the last Labour Government? The Government are borrowing £3 billion a week—there is no money left for the private sector.

Chris Leslie: I do not agree that the private sector is crowded out in that way. I do not think that there is quite the evidence to suggest that. However, I am not sure that the hon. Gentleman, had he been in government during the crisis that the credit crunch provoked, would have done anything massively different to underpin and insure some of the banks against their losses at that time, purchasing shares in various banking institutions in order to keep the banking system going. I understand the partisan nature of his point, but all parties would have had to create that safety net for the banks at that time. I do not want to dwell on these matters, because time is limited and it is important to make my speech as brief as I can.

I want to ask the Minister specific questions about the absence of the small profits rate cut from the Bill, a matter on which I tabled an amendment. It is important to know why on earth it is not included. Typically, large corporations with their multi-million pound profits are at the front of the queue as far as this Government are concerned, but the real engine of growth in this economy is small firms. When I asked the Federation of Small Businesses about this, Stephen Alambritis, the head of public affairs, said that he was surprised at the signal sent to small businesses by the way in which the Bill is framed. He told me:

> "It is important that small business is recognised in discussions about the Finance Bill. There should be a reduction in the tax rate for small business as there is for larger companies. There seems to be some discrimination from the coalition government, in that they are favouring large companies at the expense of small business".

The Minister might say, "Of course they will get their cut," but can we really trust the Government to deliver that if they are not putting such a measure in the Bill, particularly if they are not putting in the future years of the main rate cut, too?

[Chris Leslie]

A number of questions on this clause are exceptionally important. I obviously do not want to talk for too long, so I shall let the Minister respond.

Mr Gauke: In the Budget, my right hon. Friend the Chancellor announced a programme of measures aimed at improving the competitiveness of the UK economy, including four annual 1% reductions in the main rate of corporation tax, down to 24% in 2014, and a reduction in the small profits rate to 20% from April 2011, in contrast to the previous Government's plan to increase it to 22%. That will reduce the tax rate for some 850,000 companies. The Budget also included, from April 2012, a reduction in the capital allowances main rate from 20% to 18%, a reduction in the special rate from 10% to 8% and a reduction in the annual investment allowance to £25,000. Despite that, investment allowances will permit more than 95% of businesses to offset completely their annual plant and machinery expenditure. As I said in our debate on amendment 49, by delaying these changes to allowances for two years but reducing the corporation tax rate next year, we are giving companies a year's advantage.

We have been asked why we are legislating for the 1p cut in the main rate this year. This is the usual convention as the corporation tax main rate is usually set a year at a time. The right hon. Member for East Ham (Stephen Timms) is right to say that there was an exception in 1984, when four years were done together, but the usual convention is to do these things a year at a time. A distinction has been made between the mainstream rate and the small profits rate. The right hon. Gentleman, who was a distinguished Treasury Minister for several years, may have forgotten that payers of the corporation tax main rate are within the quarterly instalments payment regime and so require advance notice of the rate, as they might be making payments of corporation tax liability before 1 April of the relevant year in which profits fall in the next financial year. Payers of corporation tax at the small profits rate do not require advance notice, as they have until nine months after the end of the accountancy period to pay their tax.

Both main and small profits corporation tax rates have traditionally been set in this manner, and what we are doing is consistent with the usual approach. The right hon. Gentleman asked about deferred tax assets, but they are not the reason why we are doing this; we are simply following the usual convention.

Opposition Members have asked whether business can have faith in what this Government do, but they should give us some time and they will see exactly what we will do: we will follow through on these promises. No great concerns about this issue have been raised with us. On deferred tax assets, when I was in opposition, I received representations not from a bank but from a major manufacturer who made the point that the right hon. Gentleman has made, but that is not what has driven our thinking regarding the timing in this area.

Stephen Timms: The Minister says that it is normal practice to do what the Bill does, but as far as I know, there has been only one occasion since this tax was introduced when a series of reductions was announced, and those reductions were all legislated for in the 1984 legislation. I am not sure what precedent he is referring to that suggests that the way things are being this time is the normal way, as that is not the case.

Mr Gauke: The usual approach has been that the Finance Bill sets the small companies rate in-year, just as it sets the rate for income tax; the preceding year sets out the large companies rate. The right hon. Gentleman is right that there is a precedent for doing it another way, but we do not believe that business has any concerns that we will fail to follow through on our promises. There is an argument for doing it the other way, but we are pursuing the approach that has been adopted for a number of years.

Why cut corporation tax? As I have explained in debates on amendments to the clause, this package of measures takes real strides towards restoring the UK's tax competitiveness, and will support economic growth in this country. It does so in a sustainable way that provides business with a clear direction on our long-term aims—a 1% cut every year for four years clearly demonstrates our position in making the UK open for business. No other legislative changes are proposed in the Finance Bill, although the small profits rate of corporation tax will reduce from 1 April 2011 from 21% to 20%, instead of rising to 22%, as the previous Government intended. I find it somewhat strange that those who were proposing to raise that tax are now outraged that we are not legislating to reduce it, or are calling for us to reduce it even further.

9.15 pm

In 1997, the UK had the 10th lowest main rate of corporation tax in the current 27 EU countries, but we have now slipped to 20th. According to the World Economic Forum, the UK has fallen from the seventh most competitive economy in the world in 1997 to 13th. Richard Lambert, the chief executive of the CBI, has described our tax system as a

"ball and chain round the ankle of the UK economy",

and we are throwing off the shackles, so that the private sector can be at the heart of our plan for growth. As we reduce spending—as we must if Britain is to live within its means—only the private sector can lead the recovery. We therefore need to show that Britain is open for business. The Government are taking such action immediately, showing the international business community that the UK is the right place to do business and that our tax system is one reason why. Our changes mean that by 2014, we will have the fifth lowest rate of the G20; the lowest rate of any major western economy; and the lowest rate this country has ever known.

I make four arguments for prioritising this move to reduce corporation tax. First, corporation tax rates are important in themselves in selling the UK. They are an advert for the economy and for the UK as a good place to do business. By reducing our rate we are sending the strongest possible message that Britain is open for business. Secondly, this cut is a necessary step to help to rebalance the economy. As we take tough measures to scale back the public sector, we must provide the necessary boost to the private sector. Thirdly, the OECD's estimates suggest that corporation tax is an inefficient and growth-damaging tax. Lower corporation tax rates encourage investment, which this country needs to support the recovery. Finally, far from merely being a tax cut for profitable companies, they will provide the boost to investment that is vital for Britain, and they will support jobs in the private sector.

The corporation tax package means a reduction in allowances, but it would be inappropriate to view those changes in isolation. Across the economy, the package of reductions in corporation tax rates will offset the reductions in capital allowances, making the cost of capital investment cheaper when the measures are fully implemented. That is expected to lead to an additional £13 billion of business investment between now and 2016, based on Treasury analysis.

We have taken immediate action to restore the UK's competitiveness not only by reducing corporation tax rates but by setting out how we can improve the way in which we make tax law. Competitiveness is about the wider tax environment, which can have as much influence over where a company chooses to locate as the headline rate. We will consult business on the taxation of intellectual property; on the support research and development tax credits provide for innovation; and on the proposals in James Dyson's review for making the UK the leading high-tech exporter in Europe. We will introduce a programme of reforms to the rules for taxation of foreign profits to deliver a more territorial system, including the taxation of foreign branches and the controlled foreign company rules.

The Government are committed to improving the tax system more generally, providing greater certainty, stability and simplicity. The Budget 2010 policy costings document sets out our new, more transparent approach. As I have said, we have set out a framework for developing tax policy making and tax law, set out in a discussion document published alongside the Budget.

The previous Government have left a legacy of complexity and red tape that we are determined to tackle. There is significant work to be done to correct the mistakes of the past, and we will therefore establish an independent office of tax simplification to help us to do just that.

One or two questions were raised in the course of the debate. The shadow Minister referred to the ring-fenced regime for oil and gas. We have not made any announcements on that particular matter; indeed, a period of stability is welcome after the out-of-the-blue supplementary charges introduced by our predecessors.

In setting the corporation tax rate for 2011-12 at 27%, this year's Finance Bill takes a first step towards putting Britain back on the map as an attractive place to do business. That is consistent with sound public finances.

Stephen Timms: Will the hon. Gentleman comment on my question about whether it is an explicit aim of the Government that the UK rate of corporation tax should continue to be the lowest in the G7?

Mr Gauke: Of course, our proposals go beyond that. The explicit aim of this Government is to have the best corporate tax environment within the G20. That is considerably more ambitious, and we think that it will help to lead to the UK developing a stronger private sector that will lead us to recovery. The Bill and the clause represent a step in the right direction that will benefit the UK economy very strongly.

Question put and agreed to.

Clause 1 accordingly ordered to stand part of the Bill.

Clause 2 ordered to stand part of the Bill.

Schedule 1

RATES OF CAPITAL GAIN

Stephen Timms: I beg to m
page 6, leave out lines 13 to 16 and

'(3) The rate of capital gains tax in re
a tax year to—

(a) the trustees of a settlement

(b) The personal representative
18% for the first £
28% thereafter.'.

The Government have decide
capital gains tax for people payi
tax. We are not going to object t
interested to know why a highe
adopted. The rate will be left at 18
basic rate tax, but the higher rate o
all trusts. Some people with low i
interests represented by trusts, and th
would be unfair for them to pay the high
it has been agreed that the rate of
discretionary trusts will be 50%, so I a
logical to apply the higher rate of capit
them as well, although I have no doubt th
question to which the House will want
future debates.

Amendment 30 applies to one specific
has been drawn to our attention by the
Tax Reform Group—that is, the position
estates in course of administration, to whi
drafted would apply, in every case, a capi
rate of 28%. In the case of the majority
people who have died and who paid basic
tax prior to their death, those people, had th
alive, would have been entitled to realise
capital gains at the lower rate of 18%. The B
applies a rate of 28% to any taxable gain

The most common problem that the
Tax Reform Group had in mind was a ca
house increases in value between the point
death and the point at which it is sold. Und
drafted, the whole of any such gain would
28%, even if there was no other income o
accruing to the estate at all.

I acknowledge that this is a relatively str
problem to identify but rather more diffi
The amendment suggests that to remedy
what could, as I hope I have set out, otherwi
the first £10,000 of gains in a year shoul
charged at 18%, rather than 28%, with
£10,000 being charged at 28%. I accept that
an ideal solution, because wealthy estates w
as well as the estates of people with low in
Exchequer Secretary has a better solution
interested and eager to hear it, but I hope
recognise that there is a potential unfairne
to the estates of people with low income
capital gains after the individual's death, i
the estate includes a property.

If the Exchequer Secretary feels unable
amendment, will he agree to reflect on
consider whether it might be possible t
would certainly be an unfairness in so
next Finance Bill later in the year?

nt on to say that the new Government would look ing a different route to help what he described as rness agenda. The problem is exacerbated by the crease. With income tax at 50%, even the 28% rate tal gains tax proposed in the Bill will still leave a fferential to encourage further tax avoidance as designate their income as capital gains.

mendment simply asks for a report to be produced examine afresh the implications of the alignment income tax and capital gains tax. I believe that return to this issue in further Finance Bills, do not believe that this compromise will hold, will be seen to be equitable or fair. I believe voidance will continue, certainly among the aid, who will re-determine their income as ins in order to pay the lower rate of 28%. I t an increase of 10% is significant, but it is not nt enough to implement the fairness agenda incoming Government have proposed.

ew **George:** It is a pleasure to follow the hon. r for Hayes and Harlington (John McDonnell). leased that, unlike the right hon. Member for Ham (Stephen Timms), he chose not to bait the l Democrats tonight. At this late hour, it would ps not be a good idea to respond to the rather ative approach taken by the right hon. Gentleman s opening remarks. I shall merely point out that the ur party, which claims to be the champion of the king poor, created a capital gains tax environment hich the cleaners of wealthy bankers were paying a her marginal rate of tax than the bankers themselves. t is no doubt a cause of great embarrassment to the ious Government, so I do not think the Liberal mocrats need take any lectures from Labour Members this issue.

Reducing the capital gains tax rate from 40% to had many unintended consequences for communities oss the country, including my own, which sucked in a more second home ownership. The more advantageous environment enabled more people to purchase second es, and this made the housing environment, particularly affordable homes, a great deal worse in many parts the country. It is worth responding to the right hon. ntleman: if he wishes to bait, we can certainly fight k. As for the questions he asked, most were directed hose on the Treasury Bench. The intention behind starred amendments—I cannot refer to those standing my name—was to probe the Government about the pose of and background to the decision to set the ital gains tax rate at 28%.

The Exchequer Secretary has done an excellent job of sponding to the issues raised this evening. I previously questions to him—about his Department's economic delling to determine the level of capital gains tax; at research or impact assessments he undertook before ding to roll forward with the capital gains tax posals; and the Department's estimates of the revenue ing to the Exchequer from capital gains tax if the me tax rates for those with an income above the er rate threshold were set at a range of different s—which he answered on 7 July. Unfortunately, I not given the requisite information to make an ate assessment of the likely impact of this particular re in contrast to the setting of capital gains tax at er threshold.

I put questions to my right hon. Friend the Business Secretary in the Budget debate—on 1 July, I believe, but I might have to check that. I asked him why the capital gains tax rate had been set at 28% and not a higher rate. The answer was that there is a law of diminishing returns. By the time that level is reached, the return to the Treasury would be significantly less, making it not worthwhile to take it beyond that particular level. Unfortunately, we do not have the statistical or factual basis on which to make that assessment.

Partly in response to the right hon. Member for East Ham, who commented on the Liberal Democrat manifesto commitments in the context of the level at which the threshold should be set, we have to address ourselves to the lack of evidence and information that the previous Government provided. The information on which many policy decisions were taken might well have been unreliable Treasury estimates at the time.

In conclusion, I urge the Exchequer Secretary to provide a little more information in response to my previous questions, which I think would help us all to understand rather better why the capital gains tax rate has been set at 28% and not at some other level. That would help to reassure us that it is not going to attract those who would have had to pay income tax at a much higher level if they had not simply transferred their assets into capital.

Mr Gauke: Clause 2 and schedule 1 introduce the changes to capital gains tax from 23 June 2010, as we have heard. The coalition agreement involved a commitment by the Government to align capital gains tax to levels similar or close to those applied to income, while providing generous exemptions for entrepreneurial business activity.

Within the Treasury team, we looked at various options as to how best to achieve that. The conclusion we reached, however, was that contained in the schedule. For individuals, the rate remains 18% when their income and gains for the tax year do not exceed their income tax basic rate band. Above that level, the rate is increased to 28%. Therefore, someone who is already paying income tax at the 40% or 50% rates will pay 28% on all their gains. As was mentioned in an earlier debate, the 28% rate applies to trustees and personal representatives, who will pay capital gains tax at that rate on all their gains. That ensures that trusts are not used to shelter personal gains from the higher rate of capital gains tax.

10 pm

The changes come into effect from 23 June 2010, which, as the right hon. Member for East Ham (Stephen Timms) astutely notes, is part way through the tax year 2010-11. Gains chargeable in the earlier part of that year are still liable to CGT at the old 18% rate. As he pointed out, we did that to avoid forestalling and transactions being brought forward before the end of the tax year in such a way as to distort activity. We saw that after the announcement in October 2007 of a reform in the way capital gains tax worked. The disruption within the economy and distortive effect result in the economy becoming less efficient as a consequence of the tax system. We did not go down the routes that were advocated for taper relief or indexation, which would have been difficult to implement immediately. We believe that the simple approach we adopted was the right one.

The right hon. Member for East Ham raised the concerns of some professional groups that the transitional provisions are not fully adequate. We do not accept that. A number of capital gains tax rules do not specify the exact time at which a gain arises, but they do not create difficulties in relation to the change of rate in June 2010. In such cases the facts will determine whether the gain arose before or after 23 June 2010. Exactly the same question could arise in determining whether a gain arises in one tax year or the next. That question normally causes no difficulty, and there is no justification for special provisions for 2010-11.

The right hon. Gentleman and my hon. Friend the Member for St Ives (Andrew George), whom I thank for his kind remarks, raised the key issue of why a rate of 28% was chosen. As the right hon. Gentleman suggested, the answer is that it is close to the revenue-maximising point, as several of my right hon. and hon. Friends have said in recent weeks. There was some discussion about the methodology and how we worked that out, and the right hon. Gentleman requested that we put a copy in the Library. At the time of the Budget, we produced policy costings, which set out in greater detail than ever before how these matters are worked out. I advise him to look at pages 26 and 27 of the document in particular. For the benefit of the House, however, I will comment briefly on the thinking involved.

We start with a static costing for the additional tax that would be raised as a consequence of raising the CGT rate. Two post-behavioural factors then need to be taken into account. The first is the increase in the lock-in effect. As was suggested by my hon. Friend the Member for Wolverhampton South West (Paul Uppal), fewer gains will be realised if a CGT rate goes up. That finding is based on extensive research, including research in the United States. According to the Treasury's assessment—based on the evidence of a considerable number of studies—

"a 1 percentage point increase in the CGT rate would reduce gains realised in the UK on average by 2.75 per cent. As a result, the 10 percentage points increase in the CGT rate for higher rate taxpayers is estimated to reduce their gains realised by 27.5 per cent. It is assumed that this reduces the pre-behavioural yield"—

of £925 million—

"by around £800 million in 2011-12... over the period."

The second behavioural impact involves the movement from income to capital. That was raised by several Members. It was also very much behind the thinking in the Liberal Democrat manifesto, which raised the perfectly fair point that the size of the differential was such that it would result in a behavioural change, whether it be tax avoidance or tax planning. The Treasury has concluded that for every 1% reduction in the gap between the CGT rate and the higher rate of income tax, there is an increase in income tax yield of about £60 million. That increases the 2011-12 income tax yield by £600 million. I think that that answers explicitly one of the questions asked by the shadow Minister. The ultimate Exchequer impact of those two changes is that £725 million will be raised in 2011-12.

I know that the Members are anxious to hear me produce the same analysis of the figures for 2012-13, 2013-14 and 2014-15, but I am afraid that they will just have to have a look at the costings, which are available.

Stephen Timms: Why is no yield specified for the current year?

Mr Gauke: I believe that the overall effects for this period balance out, but I shall write to the right hon. Gentleman to confirm that.

The right hon. Gentleman asked about the self-assessment return and guidance notes to help people to work out their final liability. For the tax year 2010-11, HMRC has worked to automate more of the online self-assessment processes in order to help customers with the changes. The software will be available for customers to use from 6 April 2011. The improvements will be conveyed to third-party software developers at the usual time, enabling them to modify their products in good time. Full guidance will be available in the self-assessment notes on HMRC's website and through its helplines.

Andrew George: May I return the Exchequer Secretary to the subject of the "composition of income" behavioural impact that he described earlier? He referred to the tax yield in forthcoming years. Is the tax yield for every reduction of one percentage point assumed as a continuing line beyond the 28%? What happens to the behavioural change after that?

Mr Gauke: The assumption is that there is an ongoing gain—that we will gain more in income tax as a consequence of the rise in the CGT rate.

The reason why there is no yield this year has suddenly dawned on me. We do not get the receipts for capital gains tax through self-assessment immediately; it is only in future that CGT will be paid through the self-assessment process.

Stephen Timms: The Minister has made the point, however, that most of the gain is in fact income tax, which surely would score in the coming year?

Mr Gauke: I think we will see more of that behavioural effect as time goes by, but I am not sure that that will come through immediately. In some cases, it will depend on when the additional income will be crystallised or realised. I think that is the explanation, but if I have anything to add I will write to the right hon. Gentleman.

Mr David Ward (Bradford East) (LD): There is a time lag, which is why the receipts are not shown for this year. There is also a bringing forward of benefit because, as opposed to the lock-in, there is an advance disposal of the assets which would not otherwise have taken place. Also, of course, there will be a release of income tax, rather than a waiting for a capital tax and putting off the delay that would come from the capital gain.

Mr Gauke: I will write to my hon. Friend to explain further why there is no yield in the current year, but I am very grateful for his expertise in this matter.

Questions were also asked about serial entrepreneurs who cannot claim entrepreneur's relief and defer gains under the enterprise investment scheme. People can now choose between claiming entrepreneur's relief and paying capital gains tax at 10% or deferring a tax charge by reinvesting under the EIS and paying 18% or 28% when the postponed gain comes into charge. If they claim entrepreneur's relief they can still invest in EIS companies. The CGT deferral relief will not be available, but income tax relief under the EIS could still be available if the

conditions are met. Serial entrepreneurs who have used up their lifetime limit of entrepreneur's relief will be able to claim the EIS deferral relief on gains above the limit. Allowing individuals to claim both entrepreneur's relief and deferred gains will be highly complex and is inconsistent with the aim of simplifying the tax system.

The right hon. Member for East Ham also asked whether Her Majesty's Revenue and Customs is planning any extra education about the changes for customers and their advisers. HMRC will talk to representative bodies about what extra guidance is required. It will see what practical help it can give to agents generally through the "working together" agent network, and it will look at working with the media and interest groups to raise awareness among individuals who may be affected by the changes.

This is a reform that protects the Exchequer while ensuring that those on lower incomes are protected and the recovery is safeguarded. We have acted in a way that is in the spirit of the coalition agreement. I do not think any Member on the Government Benches would want to raise taxes beyond a level that would maximise revenue—revenue that is, after all, used to fund a substantial increase in the income tax threshold, taking 880,000 people out of income tax. If we had raised the level further, or if we had raised it by less, we would not have been able to do so much in that particular area. Consequently, we believe that 28% is the right level. We do not intend to return to this matter, and I ask that schedule 1 be agreed.

Stephen Timms: I do not propose to press this to a vote. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Schedule 1 agreed to.

To report progress and ask leave to sit again.—*(Mr Newmark.)*

The Deputy Speaker resumed the Chair.

Progress reported; Committee to sit again tomorrow.

Business without Debate

DELEGATED LEGISLATION

Social Security

Motion made, and Question put forthwith (Standing Order No. 118(6)),

That the draft State Pension Credit Pilot Scheme Regulations 2010, which were laid before this House on 10 March 2010, in the previous Parliament, be approved.—*(Mr Newmark.)*

Question agreed to.

COMMITTEES

Political and Constitutional Reform

Ordered,

That Nick Boles, Mr Christopher Chope, Simon Hart, Mrs Eleanor Laing, Sheila Gilmore, Tristram Hunt, Catherine McKinnell, Sir Peter Soulsby, Mr Andrew Turner and Stephen Williams be members of the Political and Constitutional Reform Committee.—*(Mr Newmark.)*

Mr Deputy Speaker (Mr Nigel Evans): With the leave of the House, we will take motions 4 to 22 together.

Ordered,

Business, Innovation and Skills

That Luciana Berger, Mr Brian Binley, Jack Dromey, Rebecca Harris, Margot James, Nicky Morgan, Chi Onwurah, Rachel Reeves, Mr David Ward and Nadhim Zahawi be members of the Business, Innovation and Skills Committee.

Communities and Local Government

That Heidi Alexander, Bob Blackman, Clive Efford, George Freeman, Mike Freer, Stephen Gilbert, George Hollingbery, James Morris, Toby Perkins and Chris Williamson be members of the Communities and Local Government Committee.

Culture, Media and Sport

That Ms Louise Bagshawe, David Cairns, Dr Thérèse Coffey, Damian Collins, Philip Davies, Paul Farrelly, Alan Keen, Mr Adrian Sanders, Jim Sheridan and Mr Tom Watson be members of the Culture, Media and Sport Committee.

Defence

That Mr Julian Brazier, Mr Jeffrey M. Donaldson, John Glen, Mr David Hamilton, Mr Mike Hancock, Mr Adam Holloway, Mrs Madeleine Moon, Alison Seabeck, Bob Stewart, Ms Gisela Stuart and John Woodcock be members of the Defence Committee.

Education

That Conor Burns, Nic Dakin, Pat Glass, Damian Hinds, Liz Kendall, Charlotte Leslie, Ian Mearns, Tessa Munt, Lisa Nandy and Craig Whittaker be members of the Education Committee.

Energy and Climate Change

That Dan Byles, Gemma Doyle, Tom Greatrex, Dr Phillip Lee, Albert Owen, Christopher Pincher, John Robertson, Laura Sandys, Sir Robert Smith and Dr Alan Whitehead be members of the Energy and Climate Change Committee..

Environment, Food and Rural Affairs

That Nigel Adams, Mr David Anderson, Tom Blenkinsop, Thomas Docherty, Bill Esterson, George Eustice, Mrs Mary Glindon, Neil Parish, Dan Rogerson and Amber Rudd be members of the Environment, Food and Rural Affairs Committee.

Foreign Affairs

That Mr John Baron, Sir Menzies Campbell, Ann Clwyd, Mike Gapes, Emma Reynolds, Andrew Rosindell, Mr Frank Roy, Sir John Stanley, Rory Stewart and Mr Dave Watts be members of the Foreign Affairs Committee.

Health

That Rosie Cooper, Nadine Dorries, Andrew George, Fiona Mactaggart, Grahame M. Morris, Mr Virendra Sharma, Chris Skidmore, David Tredinnick, Valerie Vaz and Dr Sarah Wollaston be members of the Health Committee.

Home Affairs

That Nicola Blackwood, Mr Aidan Burley, Lorraine Fullbrook, Dr Julian Huppert, Steve McCabe, Mary Macleod, Alun Michael, Bridget Phillipson, Mark Reckless and Mr David Winnick be members of the Home Affairs Committee.

International Development

That Hugh Bayley, Mr Russell Brown, Richard Burden, Mr James Clappison, Richard Harrington, Pauline Latham, Jeremy Lefroy, Ann McKechin, Anas Sarwar and Chris White be members of the International Development Committee.

JUSTICE

That Mr Robert Buckland, Chris Evans, Mrs Helen Grant, Mrs Siân C. James, Jessica Lee, Mr Elfyn Llwyd, Claire Perry, Yasmin Qureshi, Mrs Linda Riordan, Anna Soubry and Karl Turner be members of the Justice Committee.

PUBLIC ACCOUNTS

That Mr Richard Bacon, Stephen Barclay, Jackie Doyle-Price, Justine Greening, Matthew Hancock, Chris Heaton-Harris, Joseph Johnson, Eric Joyce, Mrs Anne McGuire, Austin Mitchell, Nick Smith, Ian Swales and James Wharton be members of the Committee of Public Accounts.

PUBLIC ADMINISTRATION

That Kevin Brennan, Nick de Bois, Michael Dugher, Charlie Elphicke, Paul Flynn, Robert Halfon, Greg Mulholland and Mr Charles Walker be members of the Select Committee on Public Administration.

SCOTTISH AFFAIRS

That Fiona Bruce, Cathy Jamieson, Jim McGovern, Mark Menzies, David Mowat, Fiona O'Donnell, Mr Alan Reid, Lindsay Roy, Julian Smith and Dr Eilidh Whiteford be members of the Scottish Affairs Committee.

STATUTORY INSTRUMENTS (JOINT COMMITTEE)

That Mr Robert Buckland, Michael Ellis, John Hemming, Mr Ian Liddell-Grainger, Mr George Mudie and Toby Perkins be members of the Select Committee appointed to join with a Committee of the Lords as the Joint Committee on Statutory Instruments.

TRANSPORT

That Angie Bray, Lilian Greenwood, Mr Tom Harris, Kelvin Hopkins, Kwasi Kwarteng, Mr John Leech, Paul Maynard, Angela Smith, Iain Stewart and Julian Sturdy be members of the Transport Committee.

WELSH AFFAIRS

That Guto Bebb, Alun Cairns, Geraint Davies, Glyn Davies, Jonathan Edwards, Nia Griffith, Susan Elan Jones, Karen Lumley, Jessica Morden, Owen Smith and Mr Mark Williams be members of the Welsh Affairs Committee.

WORK AND PENSIONS

That Harriett Baldwin, Karen Bradley, Ms Karen Buck, Margaret Curran, Richard Graham, Kate Green, Mr Oliver Heald, Sajid Javid, Stephen Lloyd and Shabana Mahmood be members of the Work and Pensions Committee.—*(Geoffrey Clifton-Brown, on behalf of the Committee of Selection.)*

TREASURY

Ordered,

That, notwithstanding the provisions of Standing Order No. 121(2) (Nomination of select committees), John Cryer, Michael Fallon, Mark Garnier, Stewart Hosie, Andrea Leadsom, Mr Andrew Love, John Mann, Mr George Mudie, Jesse Norman, David Rutley, John Thurso and Mr Chuka Umunna be members of the Treasury Committee.—*(Mr Newmark.)*

SCIENCE AND TECHNOLOGY

Ordered,

That, notwithstanding the provisions of Standing Order No. 121(2) (Nomination of select committees), Gavin Barwell, Gregg McClymont, Stephen Metcalfe, David Morris, Stephen Mosley, Pamela Nash, Jonathan Reynolds, Alok Sharma, Graham Stringer and Roger Williams be members of the Science and Technology Committee. —*(Mr Newmark.)*

BUSINESS OF THE HOUSE

Motion made,

That, notwithstanding the practice of the House as to the intervals between stages of Bills brought in upon Ways and Means Resolutions, more than one stage of the Finance Bill may be taken at any sitting of the House.—*(Mr Newmark.)*

Hon. Members: Object.

NHS (Cornwall)

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Newmark.)*

10.17 pm

Sarah Newton (Truro and Falmouth) (Con): I am delighted to have this opportunity of welcoming the publication today of the coalition Government's health White Paper, "Liberating the NHS". It received a warm welcome in Cornwall this evening during the evening news on the BBC, with support from patient groups and GPs. I believe that making the NHS more accountable to patients and freeing staff from excessive bureaucracy and top-down control will drive up quality of care and outcomes for patients. I also welcome the measured pace of change and the Government's desire to engage in a wide range of consultations to get the detail of the proposals working for the benefit of patients.

This evening, I would like to describe the current situation and direction of travel of the NHS in Cornwall, and to raise one important aspect outlined in "Liberating the NHS" today: assuring the continued improvement in quality of care in Cornwall. In addition to the ambulance service, we have three organisations that commission or provide care for people in Cornwall: the Royal Cornwall Hospitals NHS Trust, the Cornwall Partnership NHS Foundation Trust, and the Cornwall and Isles of Scilly primary care trust. There have been significant problems with some aspects of the quality of care provided by those organisations, but over the past three to four years improvements have been made. Significant challenges remain, and it is essential that momentum be maintained in the further improvement from ratings of "adequate" and "fair" to "good", and then sustained at that level.

The Royal Cornwall Hospitals NHS Trust annual health check ratings demonstrate some steady improvement. Areas that needed work were governance, financial management, infection control and elderly care. The quality of service was rated "weak", and remained weak until 2008-09. However, more recently the trust has demonstrated overall improvement through the interim core standards declaration in October 2009. The trust was registered under the Health and Social Care Act 2008 in April 2010 without conditions and with only minor concerns. The overall annual health check ratings of the Cornwall Partnership NHS Foundation Trust demonstrate improvement in performance, particularly since the high-profile investigation of services for people with a learning disability. In 2005-06, the trust's quality of service was rated weak, improving to good in 2007-08, and that improvement was sustained into 2008-09. Its quality of financial management similarly improved. The trust was registered without conditions under the 2008 Act in April 2010, and achieved foundation status on 1 March 2010.

The Cornwall and Isles of Scilly PCT has also seen some improvement in performance. In 2006-07, its quality of commissioning was rated fair, improving to good in 2007-08 and then returning to fair in 2008-09, and its quality of financial management is improving to good. The trust was also registered without condition, however this was with a moderate level of concern.

Also of relevance to all three Cornwall NHS trusts is the report on the inspection of safeguarding and looked-after children's services published by Ofsted on 23 October 2009. Out of 16 outcomes, Cornwall council was awarded only one score of "good"—there were six of "adequate" and nine of "inadequate". Although most issues for action are for the local authority, there were also issues for the health community to address, which involve all three NHS trusts to a greater or lesser degree. Action plans are in place, and oversight and scrutiny of the health element is provided by the South West Strategic Health Authority. It is performance-managing progress on delivery of the action plan weekly and bi-monthly, alongside an improvement board, which has been established.

At such an important time, when Cornwall's NHS trusts are working hard to improve the quality of care, which they need to deliver for Cornwall, it is essential that momentum is not lost. The regulation of the quality of care is vital to patient confidence. The ability of patients and clinicians to access information about the quality of services provided, as well as their being able to feed in information to the inspection and regulation regime, is very important. With the abolition of many centrally imposed targets and more devolved target setting and commissioning, the regulation and inspection of the quality of commissioning will need to adapt to this new environment. Many local factors are important to health outcomes in Cornwall, such as access to services, and those will be able to be taken into consideration. There is also an opportunity to invite the greater involvement of patient and clinical experience of services into the regulation and inspection regime.

The information provided to patients must embrace all that goes on to make up quality, including access, waiting times, cleanliness, infection rates, quality of clinical care, results for patients, access to same-sex accommodation and single rooms, cancelled operations, emergency readmissions, discharge arrangements, numbers of complaints, patient experience and patient-reported outcomes. Most of those data already exist, but they are difficult to access for many people. An open attitude to acknowledging and acting upon criticism is also needed to drive up the quality of care. If we had an open information culture, the scandalous failings that took place in Maidstone and Tunbridge Wells and then at Stafford hospital would not have gone unchallenged.

I am concerned by the number of clinicians in the NHS in Cornwall who tell me that when they challenge their manager and try to improve a service for patients they are told, "Nothing can be done", "There's no point saying anything as nothing will change" and, "Don't ask, don't tell, don't complain". At Mid Staffs there was clearly a sense among some of the professionals, and indeed the public, that the hospital had problems, but that was just the way things were done. That is just not good enough. We should never allow that sort of thing to happen again.

Andrew George (St Ives) (LD): My hon. Friend is making a good point, particularly about whistleblowers in the NHS. It is vital that they are treated seriously and not threatened or bullied as a result of their whistleblowing.

Within the coalition agreement, to return to the role of patients and the local community, there was a commitment to a strong voice for patients locally through directly elected individuals on the boards of local primary care trusts, with the other members being representatives from the local authorities. However, those PCTs will be

[Andrew George]

abolished. Does my hon. Friend agree that in Cornwall we need to ensure that there is some democratic accountability and community representation in the overview, scrutiny and management of the local NHS?

Sarah Newton: I thank my hon. Friend for that comment and I am sure that when the Minister replies he will describe some of the proposals in the White Paper to give local authorities and representatives far greater involvement in the overview and scrutiny of health services.

Instead of whistleblowing being seen as going outside the organisation, we should see such challenges as integral to safety and improvement within the organisation. In April 2009, John Watkinson was dismissed from his role as chief executive of the Royal Cornwall Hospitals NHS Trust. He took his case to an employment tribunal, which has published its judgment that he was unfairly dismissed. In the opinion of the tribunal, he was unfairly dismissed because he made a "protected disclosure" covered by the Public Interest Disclosure Act 1998. The disclosure was linked to the reconfiguration of upper gastro-intestinal services in Cornwall. The tribunal also found that the trust acted as it did as a result of pressure from the South West strategic health authority. Verita, a specialist company that conducts independent investigations, reviews and inquiries, has been commissioned to undertake a review and will report later this year. With a different culture in the NHS, this difficult situation might well have been avoided.

In the same way, instead of seeing complaints as a burden, distraction or something to be dealt with outside mainstream service provision, we must see them as integral to the improvement of the service that we provide. Learning from our mistakes, listening to complaints, comparing what we do, evaluating our performance and constantly seeking to improve quality are the features of the best performing organisations in every sector, and they can be already found in the best performing NHS trusts.

Listening to patients—asking, reporting and learning from patient experience—will be of great importance in designing and improving services, including achieving greater efficiency. However, the NHS too often asks insufficiently penetrating questions, insufficiently frequently, of too few patients. The NHS patient survey, which asks whether patients are satisfied with the care they received, is too much like asking patients if they are grateful.

I have read with interest the section in the White Paper entitled, "Autonomy, accountability and democratic legitimacy". It sets out the outline of the proposed registration, evaluation and inspection regime. The Care Quality Commission process is new and generally thought to have made a good start in Cornwall, and I am pleased to see that it has an extended role in regulating quality of care.

Given the important stage that the NHS trusts have reached in Cornwall, assistance from those aiding the improvements that have already been identified in action plans needs to continue. As a result, I want to understand what plans the Minister has to develop the regulation and inspection of care providers and commissioners to ensure that standards of health care and the confidence of clinicians and patients in that care are improved. What is the time frame for migrating from the current regime to the new one and who will be involved in the consultation process for the creation of the new regime?

10.29 pm

The Minister of State, Department of Health (Mr Simon Burns): May I say, Mr Deputy Speaker, what a particular pleasure it is to have you in the Chair this evening for this important and interesting debate on the NHS in Cornwall? I pay tribute to my hon. Friend the Member for Truro and Falmouth (Sarah Newton) for securing her first Adjournment debate on this subject, which is important not only to her constituents but to the constituents of all other hon. Members and hon. Friends from Cornwall. I know from an earlier debate in Westminster Hall with my colleague the hon. Member for St Ives (Andrew George) that he has long-term concerns about funding for the NHS in Cornwall.

The comments of my hon. Friend the Member for Truro and Falmouth about my right hon. Friend the Secretary of State's announcement on the White Paper, "Liberating the NHS", and the way it has found approval in her county are replicated throughout the country. That is, as she rightly said, because of the freedoms and liberation that the Government are giving to the NHS, not only in Cornwall but throughout England, so that we do not have an NHS that is distorted by targets and in which clinical decisions are taken not on clinical grounds but to meet deadlines. We will not have politicians and civil servants in Whitehall seeking to micro-manage the NHS throughout the country.

Next to reducing the deficit, the NHS is the Government's top priority. That is why we have decided that, despite the dire state of the public finances, the sick should not have to foot the bill for years of living beyond our means. We will increase NHS spending in real terms for each year of this Parliament. As today's White Paper sets out, that money will be accompanied by a radical shift of power away from the centre and down to the front line. For the first time, NHS staff will have the responsibility and the resources to improve outcomes for patients, free from the shackles of central Government, and patients will be given more power over their care and treatment than ever before.

The White Paper shows that the NHS can become a truly world-class service that is easy to access, that treats people as individuals and that offers care that is safe and of the highest quality. We have published a revised operating framework for the NHS as a first step in delivering those priorities. The framework is putting in place a zero-tolerance approach to infections, setting out how we can move from process targets to evidence-based measures of quality, developing payments for performance geared to results and moving towards a service that empowers clinicians and makes them more accountable for achieving the best outcomes for their patients.

The NHS in Cornwall has made important strides in the past 12 months and I pay tribute to NHS staff across the whole county, who are already improving the care given to my hon. Friend's constituents. For example, in 2008-09, the Care Quality Commission's annual health check gave the Royal Cornwall Hospitals NHS trust a "weak" designation for quality of services, but with the hard work and dedication of staff, it obtained registration

without conditions with the CQC for 2010-11. On 1 March, the Cornwall Partnership NHS trust became Cornwall's first foundation trust. It has consistently achieved good ratings from regulators and I know that its services are well regarded by patients and commissioners.

The PCT is working hard to move services closer to home for patients, with several services being brought back into the county, including those on surgery to widen blocked or narrowed coronary arteries, breast reconstruction, treatment for wet, age-related macular degeneration and services for weight management. In the past two years, the PCT has moved care closer to home for more than 19,000 people and it is committed to moving a further 10% of services out of district general hospitals and into the community. It will also work with the local authority to improve patient transport services in order to improve access for the constituents of my hon. Friend and of other hon. Members who are present.

The NHS in Cornwall is involved in some innovative pilot schemes. The whole systems demonstrator pilot is enabling more than 1,000 people to be cared for while remaining independent and in their own homes. That is the biggest pilot of its kind in the UK. The Newquay integrated care pilot is changing the way that people with dementia are cared for. A new purpose-built health centre has just opened in Truro alongside the two existing GP practices. It provides a wide range of services, including family planning, podiatry, physiotherapy, speech and language therapy and social care. The scheme is the result of collaboration between local GPs, members of the public, the local council and other stakeholders.

My hon. Friend mentioned the situation at the Royal Cornwall Hospitals NHS Trust. Although it received a "weak" designation in 2008-09, the CQC annual health check showed that significant improvements have enabled it to obtain registration without conditions with the CQC for 2010-11. After an independent review of management and governance, and recommendations reported in 2009, the strategic health authority carried out a six-month review of the trust's progress, followed by monthly follow-ups until the end of the last financial year.

At that point, the trust was able to confirm that it had achieved all the recommendations. The PCT and the SHA are arranging a formal meeting with the Royal Cornwall Hospitals NHS Trust further to review the trust's performance against the recommendations. At its board meeting on the 30 June, the trust agreed the updated chairman's progress review action plan, which continues to be monitored through the trust's monthly chairman's meeting. Progress reports have been shared with the PCT, and clear progress is being made.

My colleague the hon. Member for St Ives (Andrew George) discussed the election of members to PCT boards—a proposal which, as he now knows, is somewhat past its sell-by date. As a result of discussions with the coalition, we have determined the right way forward. In addition to abolishing strategic health authorities—that was in his manifesto—the whole reform package in the White Paper on PCTs and the transfer of commissioning to GP practices makes his proposal redundant. The idea of locally elected PCT members will therefore not be pursued.

Andrew George: I am grateful to the Minister for his response. As he says, things have moved on in a few weeks on the commitment directly to elect PCT boards, but a vacuum has been left, and not just in Cornwall, because we must make sure that finances are adequate for future need and because the local community cannot be represented through the GP commissioning boards. It needs a role in the shaping of services.

Mr Burns: I am extremely grateful to my hon. colleague. As he reads the White Paper in conjunction with other documents that will flow from it in the next few weeks, he will come to understand that all the pieces are in place to deal with the concerns that he has expressed. We as a Government are committed to providing a strong local voice for patients through democratic participation. As he and my hon. Friends will appreciate, the nub of the White Paper announced today for Cornwall and for the rest of England is about putting patients at the heart of our reforms, so that their desires and health care needs drive the reformed NHS. No longer will the NHS be told from the top what has to be done throughout our local communities, both in Cornwall and elsewhere. It will be driven by a bottom-up, rather than a top-down, process. To meet that objective, PCT commissioning functions will be phased out and transferred to the NHS commissioning board.

My hon. Friend the Member for Truro and Falmouth asked about the time scale for these reforms. The time scale for phasing is between now and 2013. We propose to replace PCTs with an enhanced role for elected councillors and local authorities to boost local democratic engagement in the NHS. Given the way in which the whole system is to be held accountable, they will increase their responsibilities from their existing role in the public health sphere.

I now turn to my hon. Friend's point about information. If we are going to create a national health service that is driven by patients, for patients, they must have the information that qualifies them to make the decisions and the choices that are all part of our vision for a patient-led NHS. I can give her this commitment: information across the whole of the health sector will be made available to all patients and members of the public so that they will be able to access it and then make a judgment based on their health requirements as to their choices of consultants and hospitals. That informed decision making can be provided only by enhanced information for those people. I can assure her that that information will be made available so that they can make those decisions and choices.

My hon. Friend mentioned whistleblowing. As she will know, my right hon. Friend the Secretary of State is a strong supporter of holding the NHS to account when it fails or could do better to ensure that we have the finest health service that does not concentrate on processes, as it has for too long, but is driven by outcomes, which is the important thing that matters the most to our constituents. My right hon. Friend has already stated that he is going to strengthen and protect the position of whistleblowers, to use the old-fashioned phrase—I am not convinced it is the best one, but it is certainly the most obvious—so that people who see things that are wrong or things being done that should not be done have the protection and the confidence to be able to draw them to the attention of the authorities

[Mr Simon Burns]

so that we can right the wrongs and make the improvements without those individuals fearing for their jobs, future careers and commitment to the NHS. I hope that my hon. Friend is reassured by that.

My hon. Friend mentioned the inspection and regulation regime and the Care Quality Commission. Let me tell her, although she will certainly know the basic principles, that the role of the CQC as the regulator of all health care providers will be strengthened by a clear focus on essential levels of safety and quality. All providers of regulated health care and adult social care will be registered against essential levels of safety and quality, and the CQC has the power to take action against providers that do not meet these standards. The CQC will carry out targeted inspections of providers against the essential standards.

As my hon. Friend will be aware from the White Paper, GP consortiums will commission the majority of health services in place of PCTs, and the NHS commissioning board will authorise consortiums and hold them to account for their performance. The CQC will no longer have a role in assessing commissioning. On the involvement of patient and clinical experience of services in the regulation and inspection regime, instead of focusing on the measurement of processes or targets, the CQC now places the experiences of the people who use health and social care services at the very heart of its work.

The CQC actively seeks the views of people who use health and social care services when making assessments of the quality and safety of that care. When inspecting a care provider, it asks to see evidence of outcomes and evidence that patients experience effective, safe and appropriate care. Rather than looking at policies, it speaks to people experiencing care, to their families and to staff to find out what the quality of care is like in practice. The CQC also actively seeks the views of clinicians, who play a crucial role in improving the quality of care. When there is a problem, it works with them to work out the best way to solve it and to improve care. Clinicians' expertise in service delivery and design is invaluable, as I am sure my hon. Friend will agree.

In addition, the CQC works in partnership with a range of professional regulators, such as the General Medical Council and the Nursing and Midwifery Council, to ensure that its assessments of a provider are informed by their views on clinical best practice. Integration with HealthWatch, as announced in today's White Paper, will give patients in Cornwall and throughout the country a greater public voice, providing a greater connection between their views and the actions of the regulator.

I reassure my hon. Friend, my colleague the hon. Member for St Ives and all other hon. Members from the great county of Cornwall that we are determined to improve and enhance the quality of care in the county and throughout the whole country. We want to ensure that the improvements are experienced by patients, because patients are at the heart of the new NHS that we envisage. Only by taking into account what they want and their patient experience within the NHS can we make the improvements necessary to ensure that we have a great NHS not just for the next five years but thereafter.

Question put and agreed to.

10.46 pm

House adjourned.

House of Commons

Tuesday 13 July 2010

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

TREASURY

The Chancellor of the Exchequer was asked—

Economic Growth (North-West)

1. **Eric Ollerenshaw** (Lancaster and Fleetwood) (Con): What steps he plans to take to support economic growth in the north-west. [7692]

14. **Andrew Stephenson** (Pendle) (Con): What steps he plans to take to support economic growth in the north-west. [7705]

The Chief Secretary to the Treasury (Danny Alexander): I am delighted to have the opportunity to answer these questions on behalf of the Chancellor, who is at the ECOFIN meeting today.

In order to support private sector enterprise throughout the UK and ensure that all parts of the country, including the north-west, benefit from sustainable economic growth, the Government announced a number of measures in the Budget, such as using the national insurance system to encourage the creation of new businesses and establishing a £1 billion regional growth fund. Later in the summer we will publish a White Paper on a new approach to sub-national growth, including local enterprise partnerships, local incentives and more powers for major cities.

Eric Ollerenshaw: I thank my right hon. Friend for that detailed answer. My question relates to the abolition of the Northwest Regional Development Agency. Does he agree with the comments of Councillor Peter Gibson, leader of the excellent Wyre borough council in my constituency, who said last week that its abolition will give us the potential to relieve the bureaucracy on the backs of local authorities and businesses and the potential for a fairer distribution of resources throughout Lancashire?

Danny Alexander: I am very grateful for that question. It is precisely because of such concerns that we have chosen to establish local economic partnerships. The Secretaries of State for Communities and Local Government and for Business, Innovation and Skills jointly wrote to local authorities inviting submissions for the establishment of those new bodies, which will be partnerships between local authorities and local businesses. That is the right way to promote economic growth in localities.

Andrew Stephenson: I thank my right hon. Friend for that answer. Picking up on what my hon. Friend the Member for Lancaster and Fleetwood (Eric Ollerenshaw) said about the Northwest Regional Development Agency, is my right hon. Friend aware that the North of England Inward Investment Agency, which is sponsored by the Northwest RDA and One NorthEast, currently maintains five offices in north America? In light of the record budget deficit, can he assure the House that he will look carefully into overseas offices and whether they deliver value for money?

Danny Alexander: The hon. Gentleman makes a very good point, and there is an awful lot of waste in the regional development agency system more generally. Of course, it will be for the local economic partnerships to look at such issues and work out whether they wish to come together to promote their region in a wider way, but his point serves to reinforce the argument for the structural change that we are making.

Graham Stringer (Blackley and Broughton) (Lab): There is no doubt in my mind that the Northwest Regional Development Agency has been a bureaucratic burden on the economy of the north-west since it was started. It has also followed capricious policies that have not directed investment where it would create most jobs. How will the right hon. Gentleman ensure that money is invested in those places where it will create most jobs?

Danny Alexander: I am very grateful to the hon. Gentleman for his comments in support, I think, of the policy that we are pursuing. The local enterprise partnerships will be able to choose for themselves and direct where they think investment is needed in their localities. One major tool that they will have at their disposal is the ability, as a public-private partnership, to apply to the regional growth fund for investment in their areas. Obviously, that will be allocated in ways to be announced, but I hope that it will provide a tool for those new bodies to do precisely the sorts of things that the hon. Gentleman set out.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): Businesses in the north-west will have seen the National Institute of Economic and Social Research arguing that growth will now be lower as a result of the Budget; they will have seen two reports of business confidence in their region and throughout the UK tumbling as a result of the Budget; and, just last week, they will have seen the International Monetary Fund's devastating downgrading of its forecast for UK growth. Are not people in the north-west listening to the Chief Secretary trying to sell the Budget as a Budget for growth entitled to feel that, actually, they are being sold the emperor's new clothes?

Danny Alexander: People in the north-west and elsewhere will have seen the Office for Budget Responsibility's forecast, which predicts that during the course of our Budget over the next four years we will see rising economic growth, falling unemployment and rising employment. They will have seen also the OECD's forecast and review of the UK, which was published today and includes the title, "A Strategy To Instill Confidence and Boost Growth". That is precisely what our Budget is.

Value Added Tax (Wales)

2. **Chris Bryant** (Rhondda) (Lab): What assessment he has made of the likely effect of the proposed increase in the standard rate of value added tax on the retail sector in Wales. [7693]

The Exchequer Secretary to the Treasury (Mr David Gauke): A full impact assessment was published on Budget day. Although it focused on the compliance costs for all businesses, it had an emphasis on retailers, as it acknowledged that they were expected to incur higher compliance costs. However, having experienced two VAT changes in the previous two years, retailers should now be familiar with the necessary system and process changes.

Chris Bryant: I am sorry but that was a really complacent answer. Much of the retail sector in my constituency is very dependent on the business that comes in through the door from pensioners. There are 13,000 of them in the Rhondda, a growing number, and they are the people who will be very heavily hit by the VAT increase, because they will have less discretionary income to spend on gifts and the things that make life worth living. Will the hon. Gentleman look specifically at how the retail sector in more distant areas—outside the main city centres—can be supported?

Mr Gauke: The fact is that we had to raise VAT because there was no money left. I do not know whether the hon. Gentleman is proposing that we should have cut spending by even more, but I do not think that that would have a lot of support on his Benches or on ours. After all, our predecessors looked very closely at raising VAT and would have done so had the previous Prime Minister not vetoed it.

David T. C. Davies (Monmouth) (Con): What would the people of Wales make of the fact that the previous Government were going to raise VAT to 19%? Would they not surely conclude that this was going to happen under any Government elected in May 2010 because of the mess made by the last one?

Mr Gauke: The fact is that the deficit has to be reduced, and VAT is one of the few levers available to the Government to do that. Any sensible Government would consider it; and indeed, given the circumstances we are in, any Government would do it.

Mr Liam Byrne (Birmingham, Hodge Hill) (Lab): When the Chancellor rose to give us his Budget a few weeks ago, he promised that he would give it to us straight. He somehow forgot to tell us that Britain's pensioners may face an £8 billion VAT bill over the course of this Parliament. Given that neither Government party has a mandate for introducing VAT increases, does the Minister agree that, at the very least, this House deserves a report on the impact of VAT on pensioners before the increase comes into effect?

Mr Gauke: We have provided more detail of the distributional impact of this VAT rise than the previous Government ever did or would have done had they increased VAT last December. The fact is that this Chancellor—like this Treasury team—has the courage of his convictions to do the right thing, unlike his predecessors, who neither pursued the policies they believed in nor had a leader they believed in.

UK National Debt

3. **John Mann** (Bassetlaw) (Lab): What recent representations he has received on the level of the UK national debt relative to that of other countries; and if he will make a statement. [7694]

The Chief Secretary to the Treasury (Danny Alexander): The UK faces one of the largest fiscal challenges of any advanced economy. According to the International Monetary Fund, between 2007 and 2015 the UK is forecast to experience the most rapid increase in net debt of any G7 economy, with the exception of Japan. The Office for Budget Responsibility's pre-Budget forecast shows that without further action to tackle the deficit, debt would still be rising in 2014-15. As result of the actions set out by the Government in the June Budget, the OBR projects that debt will have declined to 69.4% of gross domestic product in 2014-15—5% of GDP lower than under the plans the Government inherited.

John Mann: That was a lot of words, but the Chief Secretary did not answer the question. Why does the United States have a much higher debt than we have, and why do Canada, Italy, France, Germany and Japan all have, as a percentage of GDP, higher debt than we have? Is it true that the extent of the cuts is driven not by economics but by ideology?

Danny Alexander: No, that is not true. The plain fact is that, as I said earlier, we have the fastest growing debt and the largest deficit in the European Union apart from Ireland. In the Budget we have taken action to ensure that we prevent the key risk facing growth in this country, which is a failure to take action and a failure to restore confidence in the economy, potentially causing us the sort of problems that we have seen in other European countries. That is the problem that we need to avoid.

Sir Peter Tapsell (Louth and Horncastle) (Con): Does the Chief Secretary agree that it is the refinancing capability of the national debt as redemption dates are reached that really matters?

Danny Alexander: Of course that matters, but what matters more than anything is the risks that this economy would have faced if we had stuck with the plans of the previous Government, which would have risked higher interest rates, lower growth and fewer jobs, and there would have been very big risks in the future.

Mr Alistair Darling (Edinburgh South West) (Lab): I am glad that the Chief Secretary at least accepts the proposition put by the hon. Member for Louth and Horncastle (Sir Peter Tapsell).

We all agree that to get debt down, growth is essential. However, has the Chief Secretary noticed this morning's remarks by Geoffrey Dicks, a member of the Office for Budget Responsibility, who said that his office had cut its forecasts for growth by 0.5% as a result of the

Budget announcements two weeks ago, and went on to say that logically, as he put it, that increased the chances of our economy slipping back into recession?

Danny Alexander: He also made it clear that he did not think that that risk was a likely one. In the Budget—this is the important central judgment that the House needs to understand—we have faced up to the fact that if we had carried on with the plans of the previous Government, the big risk facing the economy would have been higher interest rates, fewer jobs, and a reduction in growth, and we would have faced the big risk that we have seen in other countries, which we need to ensure does not happen in this country. Our Budget has ensured that that risk is avoided; the previous Government would not have done that.

Michael Fallon (Sevenoaks) (Con): Given that the IMF report said that we would have had the highest public borrowing in the G20 this year and the worst structural deficit in the OECD, has the Chief Secretary, the Chancellor or any Treasury Minister yet received a formal apology from the Labour party for the appalling state of the economy?

Danny Alexander: Sadly, there has been no formal apology. Labour Members are free to offer one during this questions session should they wish to. In fact, with the revised Office for National Statistics forecasts of the last couple of days, we have seen the predicted reduction in the size of the economy go from 6.2% to 6.4%. Even after they have left office, their recession is still getting worse.

Barry Gardiner (Brent North) (Lab): Is the UK on the brink of a debt downgrade because the rating agencies have noted that the Government propose to cut capital allowances and therefore stifle investment, or because the agencies do not share the Government's optimism about Europe's capacity to buy UK goods in the future?

Danny Alexander: No, the hon. Gentleman will know that the rating agencies' response to the Budget has been positive and ensured that we have a stronger position going forward.

Stephen Williams (Bristol West) (LD): Does my right hon. Friend agree that given that we are currently spending more on interest on our accumulated debt than we are on schools, police officers and other important measures, we must take difficult decisions now to release more money to spend on vital public services later in this Parliament?

Danny Alexander: I could not agree more with my hon. Friend, who sets out the case strongly. From what I read, I believe that that position was understood by the previous Government. I read the former Chancellor's interview in *The Guardian*, in which he said:

"There were bits of medicine we could have administered last year that would have made things easier. Had we gone further in saying to people round the cabinet table we are not going to do this"—

Mr Speaker: Order. I am g
Gentleman, but I do not think
policies of the Opposition.

Capital Gains

4. **Gordon Banks** (Ochil and S
What recent assessment he has mad
the change in the rate of capital gain
number of business start-ups. [7695]

The Financial Secretary to the Treasury (Mr Mark Hoban): The change in the rate of capital gains tax is not expected to have a material impact on the number of business start-ups. The lifetime limit on gains qualifying for the entrepreneurs relief—the 10% CGT rate—was increased from £2 million to £5 million in the Budget. That will benefit entrepreneurs and small business owners.

Gordon Banks: I thank the Financial Secretary for his response, but does he share my concern that the change in capital gains tax will mean a reduction in businesses in the private housing rental sector, and with it, as predicted by Rightmove, a growth in rents and a shrinkage in the number of houses for rent? If so, what is he going to do about it?

Mr Speaker: I call the Chief Secretary. No, the Minister.

Mr Hoban: I have not been promoted, Mr Speaker.

The changes to capital gains tax that we have introduced will ensure that the right tax regime is in place and that it is fair and responsible. The hon. Gentleman ought to remember, of course, that the capital gains tax rate for second homes prior to the Budget was 24%. It has now gone up to 28% for those paying higher rate taxes, but those on basic rate taxes will be paying only 18%.

Economic Growth

5. **Annette Brooke** (Mid Dorset and North Poole) (LD): What recent representations he has received on the proposals in the June 2010 Budget intended to increase economic growth; and if he will make a statement. [7696]

The Chief Secretary to the Treasury (Danny Alexander): The Government have received representations on a range of proposals to increase economic growth. Indeed, the Budget is about growth. It is about underpinning private sector confidence and creating the space for business to grow, redressing the balance between the public and private sector. Crucial to promoting growth is cleaning up the public finances and the mess that the previous Government left. That is why the OECD document published today described the Budget as "courageous" and "appropriate".

Annette Brooke: Given the difficulties with time lags, for example between decision making and outcomes, how will the Chief Secretary monitor the overall impact of the stimulus given to growth in the private sector and the necessary cuts in Government expenditure, to ensure that we have a sustainable recovery and not a double-dip recession?

economic growth on the islands of Scotland. Surely we need a rural fuel derogation in place before the rise. After all, the rural fuel derogation was in the coalition document, but the VAT rise was not.

Danny Alexander: The hon. Gentleman is right, of course, that the rural fuel derogation is in the coalition agreement. The Chancellor restated our commitment to investigating the matter in the Budget statement, and I can assure the hon. Gentleman that we will be coming forward with an announcement in due course.

Mrs Helen Grant (Maidstone and The Weald) (Con): What action will the Chief Secretary take to boost new business in rural areas?

Danny Alexander: Businesses in rural areas will have the opportunity to benefit from the regional growth fund that we are establishing and which will help to support business growth in the regions of the country, particular those areas where dependence on public sector employment is greatest. Also, new businesses in rural areas will benefit from the cut we have announced in national insurance for new employees in new businesses.

Ms Angela Eagle (Wallasey) (Lab): Is the Chief Secretary aware that, as part of the growth drive, the Treasury has set up a spending challenge website asking for ideas and assistance for the future, and that it is currently featuring issues such as sterilising the poor; reopening the workhouses; asking single parents who cannot finance their children to terminate the pregnancy; benefit claimants to work in sweatshops; and immigrants to be moved out of cities? Is he happy that such racist and offensive drivel is being hosted by one of his websites, and will he give the House an undertaking that the site will be moderated and that this stuff will be removed immediately?

Mr Speaker: Order. I know that the right hon. Gentleman, in answering the question, will focus his remarks on the June 2010 Budget.

Danny Alexander: I am grateful for that, Mr Speaker.

Of course, I would not wish to promote such ideas, but I am surprised that the hon. Lady pours scorn on the consultation process we are undertaking. She will know that we have also set up such a process for public sector workers. We have had more than 66,000 ideas from people who work in the public sector and who are suggesting savings that they believe can be made in their own services. That is a valuable part of the spending review process. However, we have not had a single idea from the Labour party on how we can make the savings, let alone the apology warranted for the terrible mess it left the economy in.

representations from employers have been supportive of reducing taxes on jobs, and 400,000 new businesses are expected to benefit from the holiday on employer national insurance contributions, including about 70,000 in the north-west.

David Rutley: It is clear that this important Budget proposal will help to generate much-needed jobs for small businesses. Does my hon. Friend agree that this is a much better way of supporting job creation in places such as Macclesfield and the north-west, and in other regions, than relying on the public sector, as the Labour party did?

Mr Gauke: My hon. Friend is right. We cannot rely on the public sector for growth, simply because we have run out of money.

Tony Lloyd (Manchester Central) (Lab): How many businesses—perhaps the Minister could name them given that there are so few—will do better because of the national insurance cut and will not suffer because of the VAT increase and the cutback in demand, which will be disastrous for businesses in the north-west?

Mr Gauke: The fact is that businesses would much rather we focus on dealing with the jobs tax, which our predecessors brought in. We recognise that we have to reduce the deficit and that tax has to play a role in that, but what we can do to create jobs in the private sector is reduce the burden from national insurance contributions. This particular policy, directed at areas where the public sector is largest and where we need a stronger private sector, has to be the way forward.

Income Tax

7. **Malcolm Bruce** (Gordon) (LD): What plans he has for future changes to income tax arrangements. [7698]

The Exchequer Secretary to the Treasury (Mr David Gauke): In the Budget, the Government announced a £1,000 increase in personal allowances for under-65s. We estimate that 23 million basic rate taxpayers will gain by up to £170 per year from this measure, and that 880,000 will be taken out of tax altogether. This is the first step towards our long-term objective to raise the personal allowance to £10,000.

Malcolm Bruce: I am very grateful to the Minister for that informative answer. Can he give a more precise timetable for when the £10,000 threshold will be released? Will it be before the end of this Parliament? In other words, can it be even earlier than the five years that would otherwise be required?

afternoon the chief lobbyist for the banking industry has been introduced as a Member of the other place, meaning that the interests of the banking industry will come before those of low-income families?

Mr Gauke: I am not quite sure that I necessarily follow what the hon. Gentleman has said, but what I would say is that we announced the introduction of a bank levy in the Budget and we have taken a lot of poorer households out of income tax. That shows the Government's values.

Tax Avoidance

8. **Jo Swinson** (East Dunbartonshire) (LD): What assessment he has made of the level of tax avoidance during the period when the rate of capital gains tax was at 18%. [7699]

The Exchequer Secretary to the Treasury (Mr David Gauke): The Government estimate that prior to the emergency Budget, upwards of £1 billion of income tax revenues was forgone through income being turned into capital gains.

Jo Swinson: I thank the Minister for that reply, which shows that when the previous Labour Government reduced capital gains tax, they created an enormous loophole for tax avoidance for the wealthiest in our society. Does he have any further plans to clamp down on tax avoidance, to ensure that the wealthy pay their fair share?

Mr Gauke: There are measures contained in the Finance Bill, which we are currently debating, that will reduce tax avoidance. We take the issue seriously, but the hon. Lady puts her finger on one of the problems. There were a number of structural difficulties in the tax system as it was left to us, one of which was the wide disparity between income tax rates and capital gains tax rates, and we have been able to do something about that.

Mr Andrew Love (Edmonton) (Lab/Co-op): In introducing the Budget, the Chancellor justified the move to a 28% rate in the following terms:

"I asked the Treasury to examine what would have happened if we had increased the rate much further beyond 28%, and its dynamic analysis showed that that would have resulted in smaller total revenues."—[*Official Report*, 22 June 2010; Vol. 512, c. 178.]

Can the hon. Gentleman justify that?

Mr Gauke: Yes, and had the hon. Gentleman been in the Chamber at about quarter past 10 last night, he would have heard me doing so at some length. The fact is that for every 1% by which the gap between income tax and capital gains tax rates is reduced, we can expect to see a significant increase in the amount of tax avoidance. That is why we have taken steps to address that issue.

Mr Clarke: What assessment he has made of the effect on low-income families of the implementation of the proposals in the June 2010 Budget. [7700]

The Economic Secretary to the Treasury (Justine Greening): The right hon. Gentleman will be aware that the Budget was really about achieving two things: reducing the fiscal deficit and protecting the most vulnerable in our society. I am sure that he will welcome the fact that, as we heard earlier, we have reduced the personal allowance on income tax, which means that nearly 900,000 people have been relieved from paying income tax altogether. That has also benefited 23 million people working in Britain who will benefit by up to £170 a year. Additionally, he will recognise that we have taken steps to increase the child tax credit by £150 next year and £60 the following year, which will benefit some 7,200 households in his constituency. As a result of that, levels of child poverty after the Budget will remain unaffected.

Mr Clarke: Let us get back to reality. In view of the increase in VAT, the slashing of benefits and the changes proposed for the disability living allowance, does the Chancellor have any proposals that will mean that the poorest and most vulnerable in our society are not treated disproportionately?

Justine Greening: The right hon. Gentleman is right to raise the issue of poverty, but to pick him up on disability living allowance, just 5% of those on DLA have been receiving it for less than five years. We should be trying to tackle the root causes of poverty, rather than putting people in a poverty trap. I am sure that he would welcome, as I do, the fact that the right hon. Member for Birkenhead (Mr Field) will be leading a review into poverty, to ensure that we can do just that: tackle the root causes of poverty, rather than persist with just the symptoms.

Stephen Metcalfe (South Basildon and East Thurrock) (Con): Will my hon. Friend comment on what she believes the effect on low-income families would be if we failed to deal with the £23,000 per person debt that we were left with by the former Government?

Justine Greening: I think that most people on the minimum wage would be shocked to hear that the amount of income tax that they pay every year is less than what the average taxpayer pays in debt interest. The best thing that we can do to help not just people on lower incomes, but all people, whether in or out of work, is to get our economy back on track. That means tackling the fiscal deficit, starting to bear down on waste in public services and also reforming public services, so that the money that we spend—money that taxpayers

Government have made in comparison with this Conservative Government?

Justine Greening: The right hon. Gentleman clearly has not read the Red Book. I think that pages 66 and 67 show the distribution analysis in cash terms and as a percentage of income. We do not need to take any lectures from members of a Government who widened the gap between rich and poor.

Economic Growth (North-east)

10. **Ian Swales** (Redcar) (LD): What steps his Department is taking to support economic growth in the north-east. [7701]

The Financial Secretary to the Treasury (Mr Mark Hoban): To support private sector enterprise throughout the UK and to ensure that all parts of the country benefit from sustainable economic growth, the Government will use the national insurance system to reduce the cost to new businesses of employing staff in all parts of the UK outside London, the south-east and the east of England. We will establish a £1 billion regional growth fund to support strategic growth and focus investment in the English regions. We will also publish a White Paper later in the summer on a new approach to sub-national growth, including local enterprise partnerships.

Ian Swales: Does the Minister agree that Teesside represents a great opportunity for the new green investment bank, and that it would be a good location for the administrative centre of the bank?

Mr Hoban: I welcome the interest shown in Teesside as a location for the green investment bank. Throughout the north-east, on Teesside, Wearside and Tyneside, we are seeing significant investment in green technology, which is a key way of rebalancing the economy and creating more private sector jobs in the north-east.

Bill Esterson (Sefton Central) (Lab) *rose—*

Mr Speaker: Is the hon. Gentleman's question specifically on the north-east? No? I know that he is from the north-west. Never mind. I wondered whether he wanted to say something about the north-east, but no.

Economic Growth (South-west)

11. **Mr James Gray** (North Wiltshire) (Con): What steps he plans to take to support economic growth in the south-west. [7702]

in food production and defence. What does my right hon. Friend intend to do in regard to the excellent report produced by my constituent, Sir James Dyson, on innovation and technology, which seems to point the way forward for this new Government?

Mr Hoban: My hon. Friend is absolutely right. Sir James Dyson made an important contribution to the debate on increasing the high-tech sector, and the Government are looking at the implementation of his findings. In the Budget, we announced a review of the taxation of intellectual property, including research and development, and we are committed to ensuring that the UK again becomes a centre for high-tech manufacturing.

Fiona Mactaggart (Slough) (Lab): But does the Minister agree that, in the south-west and in the whole of the UK, growth in the economy depends on growth in employment and jobs? What is his estimate, and that of the OBR, of the effect of his decisions on employment?

Mr Hoban: The independent forecast published by the OBR at the time of the Budget demonstrated that employment would rise over the course of the next five years.

Richard Graham (Gloucester) (Con): Five thousand small and medium-sized companies in Gloucestershire will welcome the Minister's comments on progress for economic growth in the south-west, but will he tell us what specific plans the Government have to deal with the red tape and bureaucracy, which many of those businesses feel is an impediment to growth?

Mr Hoban: My hon. Friend is right to point out the barriers to investment that red tape can create. That is why we have set out a series of specific measures in the Budget to reduce the burden of red tape. We believe that that will help up to 500,000 businesses in the south-west.

Budget Implications (Employment)

12. **Toby Perkins** (Chesterfield) (Lab): What assessment he has made of the effect on levels of employment of the implementation of the measures proposed in the June 2010 Budget. [7703]

The Financial Secretary to the Treasury (Mr Mark Hoban): The OBR has published its assessment of economic prospects, taking into account the measures in the Budget. It forecasts that employment will rise, reaching 30.1 million in 2015. Reducing the deficit will mitigate the risks to the recovery, create the conditions needed for growth and enable mortgage rates to be kept lower for longer. The Government are committed to supporting

ctor job creation, cutting corporation tax and e employers' national insurance threshold to he economy.

Perkins: I thank the Minister for his response, local futures group says, Chesterfield will lose ublic sector jobs—almost 3% of our entire ent base—by 2016. Given that manufacturing ces are to be cut, which will make it more difficult o grow our way out of the economic difficulties, iven the VAT rise, which will make it difficult for retail sector, is not the reality that, far from this Tory Budget being courageous, the ideology behind it is going to hit people with their jobs?

Mr Hoban: The hon. Gentleman forgets the measures in the Budget that will increase employment opportunities —the cut in national insurance contributions, the tax break for new businesses, which will benefit businesses in his constituency, and the reduction in red tape. All those measures are geared towards improving the prospects of private sector growth in our economy. We need the economy to be led by the private sector.

Matthew Hancock (West Suffolk) (Con): Given that sustainable employment can be supported only by dealing with the deficit, was the Minister grateful for the support of the shadow Chancellor, who said at lunchtime on the subject of raising VAT:

"I don't have a philosophical problem with that"?

Mr Hoban: It is interesting to hear about views expressed after the election, which were kept silent before the election. We took the difficult decision in this Budget to lay the foundations for growth in the future and make sure that we pay the bills of the past. Sadly, that included the increase in VAT.

Mr Jim Cunningham (Coventry South) (Lab): How does the Minister expect increases in VAT to help employment?

Mr Hoban: By tackling budget deficits, we will be in a better position to keep interest rates lower. Serious concerns were expressed before the Budget about the ability of the previous Government to tackle the deficit. The tough action we have taken has been welcomed across the world and by rating agencies. It lays the right foundation for future growth. This Government are prepared to take the difficult decisions that the hon. Gentleman's Government ducked before the election.

Mental Health Services

13. **Esther McVey** (Wirral West) (Con): What recent discussions he has had with the Secretary of State for Health on funding for mental health services. [7704]

The Chief Secretary to the Treasury (Danny Alexander): I am grateful to the hon. Lady for her question. I know that she takes a great interest in these issues. We want to offer long-term solutions to people with mental health problems and provide psychological therapies to do that. Our coalition programme set out our intention to ensure greater access to talking therapies. That is why, on 23 June, the Secretary of State for Health pledged £70 million to continue the roll-out of psychological therapies across the NHS this year.

Esther McVey: Given the dire financial situation the last Government have left us in, and the very real impact it will have on each and every one of our lives, will the Minister go further to explain the £70 million that he plans to spend on psychological therapies in the current financial year? That is particularly important when one in four of us will in the course of our lifetimes suffer from problems in our mental well-being—including finance-related stress, reminding us of our inheritance from the previous Government.

Danny Alexander: The hon. Lady is quite right to spell out the importance of tackling mental health problems, which, as she says, many people experience during the course of their lives, so it should be taken very seriously. That is why we have continued to roll out funding for the expansion of talking therapies, which in many cases are the most effective. I also note that, unlike the Labour party, we have pledged to increase health spending in real terms during every year of this Parliament to enable these sorts of problems to continue to be tackled—even in very tight financial circumstances.

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): Investment in mental health through the NHS is very important. Equally, however, people with mental health problems are affected by many other issues, including the caps on housing benefit proposed in the Budget. Has the right hon. Gentleman had any discussions across Government about the impact of Treasury decisions—not just giving money away, but cutting funding—on people with mental health problems?

Danny Alexander: Supporting people with mental health problems through protecting the NHS budget is the best way to achieve the outcome that the hon. Lady suggests. There is also the Work programme, which is being developed by the Department for Work and Pensions to bring together and replace many of the employment initiatives of the previous Government, some of which were highly ineffective. Conditioned management of mental health problems will be part of that programme, which will help people with mental health problems back into work, which is, after all, the best route out of poverty.

Export Growth Forecast

15. **Kevin Brennan** (Cardiff West) (Lab): In what sectors of the economy he expects the export growth forecast contained in the June 2010 Budget to be achieved. [7706]

The Economic Secretary to the Treasury (Justine Greening): The export growth forecast produced by the Office for Budget Responsibility did not break it down by sector. However, we know that in 2009 manufacturing accounted for just over half of our exports, so there is a big opportunity here. We currently export more to Ireland than to Brazil, India, China and Russia combined. That is why the Prime Minister met the Indian Commerce Minister earlier this month to talk about economic

opportunities for us over there. Later this month, he will lead a taskforce of UK business men to India to investigate export opportunities.

Kevin Brennan: I am afraid that the Minister has not seen this morning's report from Cambridge Econometrics, which examines the effect of the Budget on manufacturing, and predicts a decline in manufacturing share and an expansion in the financial sector to its highest share ever. Is that what the Minister means by rebalancing the economy?

Justine Greening: Many people would consider that a bit rich coming from a member of the last Government, given that manufacturing declined at a steeper rate under them than under the previous Conservative Government. We aim to support manufacturing and, indeed, companies throughout our country through a robust and ambitious corporation tax package, through progress on national insurance, and through largely getting rid of the jobs tax that the last Government would have introduced. What we would like to hear from the Opposition is more constructive discussion about how to improve our exports.

Charlie Elphicke (Dover) (Con): In relation to export growth and other forecasting, will Ministers consider establishing a dynamic tax unit in the Treasury?

Justine Greening: One of the reasons why we set up the Office for Budget Responsibility was to ensure far more independent and transparent forecasting in relation to not just exports but all economic indicators. I am sure that over time the OBR will continue to develop that forecasting to make it even more effective. Let us make no mistake: setting up the OBR was a huge step forward in terms not just of transparency, but of robust data on which the public can really rely.

Chris Leslie (Nottingham East) (Lab/Co-op): Will not our exporters be hurt by the slashing of the capital allowances that went to our manufacturing industries? Is it not a hallmark of the Government's priorities that they would rather give £400 million cashback to the banks by cutting their corporation tax than support our small and medium-sized enterprises in their export activities?

Justine Greening: I am not sure whether the hon. Gentleman has talked to industry about its reaction to the Budget. I think that if he talked to the Institute of Directors, the CBI and the Federation of Small Businesses he would find that they welcome it, because they know it will help them to grow their businesses and grow employment. I only wish that the hon. Gentleman could recognise that and welcome it too.

Non-Departmental Public Bodies

16. **Tony Baldry** (Banbury) (Con): What recent progress he has made on reducing the cost to the public purse of his Department's non-departmental public bodies. [7707]

The Economic Secretary to the Treasury (Justine Greening): When I looked into whether the Treasury had any non-departmental public bodies, I found that we had just one, the Royal Mint Advisory Committee, which comes up to London three times a year to advise the Chancellor on coin designs. I then tried to find out how much it cost the taxpayer. The answer is nothing, because its charges have been taken over by the Royal Mint, which is an arm's length Government company. I hope that that answers my hon. Friend's question.

Tony Baldry: Across Government, how many quangos are there, how much taxpayers' money are they wasting, and how will they be made democratically accountable?

Justine Greening: The answers to my hon. Friend's questions are "Too many", "Too much", and "Through the spending review and over the course of the Parliament."

Economic Growth (South-East)

18. **Amber Rudd** (Hastings and Rye) (Con): What steps he plans to take to support economic growth in the south-east. [7709]

The Economic Secretary to the Treasury (Justine Greening): We will continue to ensure that we can support economic growth through the United Kingdom, including the south-east. As was made clear earlier, we have an ambitious package that contains a road map for reducing corporation tax year on year. I should point out that had the last Government remained in power, they would have left corporation tax as it is. Indeed, corporation tax for small companies would have risen at the very time we should be allowing companies to retain more of their profits to invest in their businesses.

As my hon. Friend will know, there is a regional growth fund that will help regions throughout our country to grow. We are also complementing the national measures that we are taking by seeking to ensure that local authorities working across various local partnerships can stimulate their own economies.

Amber Rudd: I thank the Minister for that answer. Is she aware that certain areas of the south-east have very high levels of public sector employment? I am thinking in particular of the town of Hastings in my constituency, where we have 43% public sector employment. What steps can be taken to help such areas of the south-east to benefit from the national insurance advantage proposed in the Budget?

Justine Greening: My hon. Friend makes a good point. If we are to get our economy back on track, particularly in areas such as that which she represents where there has been a growing imbalance and instability—and unsustainability as well—in the local economy, we must have a package of measures in place that can stimulate the private sector. I have set out some of those in terms of corporation tax, and my hon. Friend is right that the regional growth fund is another key investment fund that hopefully can help her area.

Clive Efford (Eltham) (Lab): Should businesses in the south-east be concerned now that the Office for Budget Responsibility has made it clear to the Treasury Committee that the Budget increases the chances of a double-dip recession?

Justine Greening: I do not think the hon. Gentleman is right about that at all. The OBR clearly set out that it expects our economy to grow over the coming years. It expects unemployment to fall and employment to rise, and the hon. Gentleman should welcome that.

Topical Questions

T1. [7717] **Jessica Morden** (Newport East) (Lab): If he will make a statement on his departmental responsibilities.

The Chief Secretary to the Treasury (Danny Alexander): The core purpose of the Treasury is to ensure the stability of the economy, promote growth and employment, reform the banking system and manage the public finances so that Britain lives within her means.

Jessica Morden: Many small charities are extremely worried about the rise in VAT. Does the Minister think it is fair that charities be hit in this way?

The Economic Secretary to the Treasury (Justine Greening): The hon. Lady is right to raise the issue of charities; in fact it is an issue in which we have taken a great interest coming into government. I hope she will welcome the fact that we are continuing with the gift aid forum, which brings together a range of people interested in charities and charity tax to look at how we can stimulate gift aid and make it more effective over the coming years. The hon. Lady is also right about the impact of VAT on charities, but we have to sort out the economic mess the last Government left us, and the best way to sustain the funding of charities is to make sure people have jobs and money in their pockets that they feel they can donate.

T2. [7718] **Duncan Hames** (Chippenham) (LD): Does the recent experience of changes in VAT rates support the assumption of both the Treasury and the Institute for Fiscal Studies that there will be full pass-through of the proposed increase in VAT, or might we reasonably hope that large retailers will shoulder some of the burden?

The Exchequer Secretary to the Treasury (Mr David Gauke): The assessment set out in the Red Book is that it is likely that two thirds will be passed on immediately and most of the rest will be passed on over the course of the next 12 months. In some cases retailers may bear some of the increase themselves, and we will obviously be studying the matter very closely.

Mr Alistair Darling (Edinburgh South West) (Lab): Does the Chief Secretary, in the Chancellor's absence, agree that the independence and credibility of the OBR are absolutely paramount? Sir Alan Budd said to the Treasury Committee this morning that the numbers he released two weeks ago

"were not an appropriate basis for attempting to estimate the effects of the June Budget on general government employment",

and the Prime Minister was quite wrong to claim that they were. Would it not be better for the OBR to be more accountable to this House, with its appointments being subject to confirmation hearings by the Treasury Committee, and for its deliberations to be completely open and transparent? What we have at the moment is a good idea strangled at birth by the way in which this Government have been treating it.

Danny Alexander: The independence of the OBR is not in question. That was made clear by Alan Budd in his evidence to the Treasury Committee today. This is a good idea that was brought forward by this Government, and it will be established in legislation. I do not think it was even part of the former Chancellor's secret plans before the election, alongside a rise in VAT, a cut in corporation tax and a cut in income tax. Those are measures he should be supporting in this Budget, because he came up with them in the first place.

T4. [7720] **Mr David Davis** (Haltemprice and Howden) (Con): When the Exchequer Secretary answered the hon. Member for Edmonton (Mr Love) earlier on capital gains tax, he quite properly justified the increase in CGT on the basis of a dynamic model of both income tax and CGT. Will he publish that model and its supporting evidence?

Mr Gauke: If I may help my right hon. Friend, at the time of the Budget we did publish our Budget policy costings, setting out the exact details. That information is available to him, and it was, indeed, touched on in last night's debate.

T3. [7719] **Chi Onwurah** (Newcastle upon Tyne Central) (Lab): The Chief Secretary justifies massive cuts to the public sector through fears of a sovereign debt crisis as the credit rating agencies downgrade our debt, but those same agencies were giving triple A ratings to junk financial instruments right up to the crash. Can he explain whether credit rating agencies, discredited as they are, or Tory ideology is driving these cuts?

Danny Alexander: The measures we have taken in the Budget are necessary to tackle the mess that the previous Government left. The degree of denial that the Opposition are in about the mess they created, the huge debt they built up and the fact that this country has the largest deficit in the European Union outside Ireland never fail to surprise me, although they probably should not surprise me. The measures we are taking are necessary to clean up that mess and to establish jobs and growth in the future.

T5. [7721] **Chris Skidmore** (Kingswood) (Con): I am sure that Ministers can understand the disappointment of my constituents when Cadbury's new owners stated their intention to move mass production abroad from the Summerdale plant near my constituency. In the light of this and of the dramatic decline in manufacturing employment over the past 13 years—down from 4.7 million jobs in 1997 to 2.6 million jobs now—what steps are they taking to support manufacturers in this country?

Mr Gauke: My hon. Friend is absolutely right to highlight the fact that we live in a globalised world and that businesses can choose where they locate their activity. That is why we are introducing substantial cuts in corporation tax, from 28% to 24%. I was delighted to read this morning that the previous Chancellor was an enthusiast for reducing corporation tax—although we did not see so much evidence of that when he was in

power. The fact is that the Budget proposals will benefit all sectors of society, including manufacturing, and we will see £13 billion more investment over the next few years as a consequence of those measures.

Bill Esterson (Sefton Central) (Lab): Many businesses in the north-west saw the value of regional development agencies and were very much opposed to their abolition. What consultation was carried out with business leaders on the proposal to abolish RDAs?

Danny Alexander: Of course we have invited groups involving local authorities and local businesses to submit proposals for the establishment of local enterprise partnerships in the hon. Gentleman's area and across the country to replace the regional development agencies. Local businesses will be very involved in those and will help to lead them. To judge from the earlier exchange involving other Members from the north-west, it seems there has been a positive welcome for those steps.

T6. [7722] **Richard Harrington** (Watford) (Con): In view of the importance of this issue to Opposition Members and their colleagues in the other place, can the Minister confirm that there are no plans for the Government to introduce VAT on the sale of hardback books?

Mr Gauke: I can assure my hon. Friend of that, and that newspapers—there was a very interesting one this morning—will not have VAT imposed on them either.

Gloria De Piero (Ashfield) (Lab): Mums in my constituency who work part time in the public sector and earn, say, £11,000 or £12,000 a year are telling me that their pay is to be frozen, so far from low-paid workers being protected, as was promised, it seems they are going to be hit the hardest, because that pay freeze is pro rata. Can the Chief Secretary confirm that and tell me how many low-paid part-time public servants will be affected?

Danny Alexander: We have announced a pay policy that involves a pay freeze for people earning above £21,000 a year. People earning below £21,000 a year will have a pay rise of at least £250.

Kevin Brennan: Pro rata.

Danny Alexander: That pay rise will be pro rata, but people will benefit from the changes to tax credits, for example, and the significant increase in the child tax credit for those with children. That will help to ensure that many of the people with children in the hon. Lady's constituency whom she is describing will not be driven into poverty, as they were in many instances were under the previous Government.

T7. [7723] **Dr Thérèse Coffey** (Suffolk Coastal) (Con): I and I am sure many other Members have received many representations from Equitable Life policyholders who felt very shabbily treated by the last Government. Can the Minister give me some assurance that under the new coalition Government, they will treated a little more equitably?

The Financial Secretary to the Treasury (Mr Mark Hoban): My hon. Friend makes an important point. A large number of Equitable Life policyholders are very angry about how they were treated by the previous Government. We have committed to setting up an independent, fair and transparent payments scheme, further information on which will be presented to the House later this month.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): The Economic Secretary, the Chief Secretary's Front-Bench colleague, referred to the establishment of the Office for Budget Responsibility as a welcome step forward for transparency. In the interests of transparency, could the Chief Secretary tell me precisely when he saw the revised unemployment figures produced by the OBR?

Danny Alexander: The revised unemployment figures were published by the OBR on the Wednesday morning. The figures are circulated in the normal way, as happens with the Office for National Statistics, the day before in the Treasury. That is when I saw the documentation that was published. The requirements for confidentiality that apply to ONS figures also apply to OBR figures.

T8. [7724] **Mr John Leech** (Manchester, Withington) (LD): The Chancellor took the difficult decision to increase VAT to deal with the dire economic legacy of the previous Labour Government. Will the Minister commit to reviewing the increase in VAT once this coalition Government have dealt with the deficit and got the economy back on its feet?

Mr Gauke: I can tell my hon. Friend that he is right; this decision was necessary and unavoidable. The intention is to get the public finances under control over the course of this Parliament. We will debate what we do at the end of that process nearer the time, when we will work out what we will do with the proceeds of growth.

Mark Durkan (Foyle) (SDLP): In a speech last night to the bankers, the Financial Secretary referred to the Government's proposals on a financial activities tax. Is it the Government's intention that that sort of proposed legislation is just in reserve in case the bankers are too generous with themselves with bonuses, or are the Government determined to introduce such a tax? Why not go further, with a full financial transactions tax?

Mr Hoban: The Government are committed to tackling unacceptable bonuses in the financial sector, and we have put forward a series of proposals on that. We have talked about increasing the disclosure of remuneration, we have asked the Financial Services Authority to examine ways in which the link between risk and remuneration can be investigated, and we are taking forward work on the financial activities tax. Also, we have today published a consultation on a bank levy, which will raise an extra £2.5 billion in revenue from the banks.

T10. [7726] **Richard Fuller** (Bedford) (Con): Average wages in my constituency are below the national average, so the rise in the income tax threshold announced in the Budget was most welcome. Can the Minister please give an assurance that he will maintain a focus on increasing the personal tax threshold, as the prospect of being taken out of tax altogether is far

more appealing than the prospect that the previous Government offered, which was the non-stop filling in of forms to claim back just a fraction of the money that people had already earned?

Mr Gauke: I can confirm to my hon. Friend that it remains our long-term objective to raise the income tax threshold to £10,000, and we have made significant progress.

Geraint Davies (Swansea West) (Lab/Co-op): Can the Chief Secretary tell the House whether he thinks it is completely ethical for the definition of "unemployment" to be changed just before Prime Minister's Question Time and for that be made public without telling the media that that was the case? Would he comment on the fact that the person who did this was seconded from a hedge fund and is therefore not independent? Will the Chief Secretary therefore confirm that that was the reason why this person had to resign and bring scorn—

Mr Speaker: Order. I must limit the hon. Gentleman to two questions—one answer will suffice.

Danny Alexander: The Office for Budget Responsibility is wholly independent. Decisions of the sort that the hon. Gentleman has described are a matter for the OBR to take on its own initiative—that is what having an independent body means.

Nicky Morgan (Loughborough) (Con): The issue of business start-ups and supporting small companies has been mentioned this afternoon, but many of them are finding it very difficult to access bank financing. I was wondering how the Budget proposals will assist them, because growing the private sector is essential to improving our economy.

Mr Hoban: My hon. Friend is absolutely right about the importance of banks being in a position to lend in order to encourage the recovery. That is why in the Budget we announced an extension of the enterprise finance guarantee scheme by a further £200 million to enable the banks to lend to small businesses. We will be publishing a paper later this month on business finance, which, again, will put forward ideas about how we can continue to sustain the recovery by ensuring that the banks are in a position to lend.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): Does not the revised forecast from the International Monetary Fund demonstrate yet again that the coalition's Budget will hit growth and therefore jobs?

Danny Alexander: The consensus among international bodies is that growth will grow over the coming years based on the Government's plans and that unemployment will fall. The hon. Lady might not yet have seen the OECD's report on our economy today, which describes our Budget measures as "courageous and appropriate" and as "an essential starting point" for restoring growth and jobs in this economy. That is a position that the whole House should welcome and not criticise.

Mr Stewart Jackson (Peterborough) (Con): I am delighted that the shadow Chancellor believes in transparency in Government. Is my right hon. Friend minded to publish the position papers prepared by the Treasury in respect of the previous Government's plans to increase VAT before the election?

Danny Alexander: It is striking that the one party that had a plan to increase VAT before the election—to 18% or even 19%, according to the account in one book serialised today—did not say so at the election. I am not sure that it would be appropriate for us to publish documents that were worked up for the previous Chancellor—I am not sure that that would be in line with the conventions—but the hon. Gentleman has made his point very effectively.

Mr Speaker: Last but never least, I call Mr Dennis Skinner.

Mr Dennis Skinner (Bolsover) (Lab): Has the Treasury done a calculation of the number of construction jobs that will be lost as a result of not building 700 schools? Does that not prove that public sector cuts equal private sector misery? Get that into your head.

Danny Alexander: The thing I have got into my head is that the plans laid down by the previous Government for this programme, particularly in the Department for Education, were among the most irresponsible financial planning carried out by that Government in their entirety. When that Government were planning to cut capital spending in half and increase the spending on this programme, taking no account of the pressures in primary schools, for example, that was pure irresponsibility. My friend the Secretary of State for Education has made the right decision on this matter. I know that it is painful in many constituencies, but this is one of many things that the Opposition should be apologising for, not criticising.

Counter-terrorism and Security Powers

3.31 pm

The Secretary of State for the Home Department (Mrs Theresa May): With permission, Mr Speaker, I shall make a statement on the review of counter-terrorism and security powers.

As I have said to the House before, the first duty of Government is to protect the public, but that duty must never be used as a reason to ride roughshod over our civil liberties—and that is what the previous Government did on far too many occasions. This Government are different. We have already introduced legislation to get rid of identity cards once and for all; we have already declared our intention to bring forward a freedom Bill later this year; and just last week I announced interim restrictions on the use of stop-and-search powers under section 44 of the Terrorism Act 2000.

Today, as promised in the coalition agreement, I am announcing an urgent review of counter-terrorism and security powers. The review will consider six key powers: control orders; section 44 stop-and-search powers and the use of terrorism legislation in relation to photography; the use of the Regulation of Investigatory Powers Act 2000 by local authorities and access to communications data more generally; extending the use of deportations with assurances in a manner that is consistent with our legal and human rights obligations; measures to deal with organisations that promote hatred or violence; and the detention of terrorist suspects before charge.

Those are the most controversial and sensitive powers. In particular, the issue of pre-charge detention has been the subject of considerable debate in the House, and tomorrow we will consider whether to renew the current detention limit for a further six months. That will provide us with sufficient time to look carefully at pre-charge detention in the review and to explore how we can reduce the period of detention below 28 days. The review will also help to inform us on what additional safeguards are needed in the proposed asset freezing Bill, which the Treasury will introduce shortly.

The Government's work on the use of intercept as evidence in court and the modernisation of our interception capabilities will be done separately and will not form part of the review. The review will be conducted by the Home Office with the full involvement of the police, security and intelligence agencies and other Government Departments, including those in Scotland and Northern Ireland. I want the review to be conducted as openly and transparently as possible. I have asked Liberty to contribute to the review, and it has said that it would be delighted to do so. I am keen to involve other civil liberty and community organisations and, as with other reviews, I would urge anyone with an interest to submit their views to the Home Office.

To ensure independent oversight of the review, I have asked the noble and learned Lord Macdonald of River Glaven, the former Director of Public Prosecutions, to make sure that the work is conducted properly, that all the relevant options have been considered and that the recommendations of the review are not only fair but seen to be fair. That role is distinct from the excellent work that is already being undertaken by the noble and learned Lord Carlile of Berriew in his statutory role as independent reviewer of terrorism legislation. The proposals made by Lord Carlile will be fully considered as part of the review and I know that he welcomes the additional independent perspective that Lord Macdonald will provide on these issues. Any legislative amendments that result from the review will of course be subject to review by the independent reviewer of terrorism legislation. I have ordered that the review should be completed as quickly as possible, because it is important that the police and the security and intelligence agencies are able to do their vital work with certainty and confidence. I will report back to Parliament on the outcome of the review after the summer recess.

Before I finish, I want to make one thing absolutely clear. In correcting the mistakes of the previous Government, we are doing just that. We are not criticising or castigating members of the police or of the security and intelligence services. They do their work with bravery, patriotism and a strong sense of duty, and I know the whole House will want to join me in paying tribute to them. The review will enable this Government to put right the failures of the last Government and, in so doing, restore the ancient civil liberties that should be synonymous with the name of our country. I commend this statement to the House.

Alan Johnson (Kingston upon Hull West and Hessle) (Lab): I am grateful to the Home Secretary for giving me early sight of her statement. It is important to recall that when the Terrorism Bill received its Third Reading in November 2005, it had all-party support, so both parties to the coalition Government supported the bulk of the legislation that will now be reviewed. Two things characterised that debate, which came a few months after the horror and carnage of 7/7. The first was the realisation that no change in Government policy would remove the UK from al-Qaeda's firing line and that the only response to the threat was to contest and then defeat it. The second was the extraordinary lengths that were taken to proceed on the basis of consensus, not just with the then shadow Home Secretary, the right hon. Member for Haltemprice and Howden (Mr Davis), and the Lib Dem spokesman Mark Oaten, but with the Select Committee on Home Affairs and the Joint Committee on Human Rights.

The threat that was faced then has not diminished. The Prime Minister put it succinctly in his statement of 6 July, when he said:

> "As we meet in the relative safety of this House today, let us not forget this: as we speak, al-Qaeda operatives in Yemen are meeting in secret to plot attacks against us; terrorists are preparing to attack our forces in Afghanistan; the Real IRA is planning its next strike against security forces in Northern Ireland; and rogue regimes are still trying to acquire nuclear weapons."—[*Official Report*, 6 July 2010; Vol. 513, c. 178.]

Can the Home Secretary confirm that the review is not being held to scale down the powers needed to address a diminishing threat, but is far from that? What is the latest estimate of the number of terror suspects actively engaged in complex plots and can she tell us how many such plots have been disrupted since 7/7?

The review must surely be held in the context of how those powers are working on the ground. In that context, will she provide information, if necessary on Privy Council terms, as Charles Clarke did in 2005, to allow Her Majesty's Opposition to be fully conversant with the backdrop to this review? Will she ensure that the

same spirit of consensus-seeking takes place in reviewing anti-terrorism legislation that characterised the approach to the Terrorism Act 2006?

The Home Secretary's statement contained the immature and partisan attacks on the previous Government that are becoming rather tiresome and that are unworthy of a debate of this seriousness. Will she tell me in what way she considers the previous Government to have ridden roughshod over civil liberties on control orders, deportation with assurances, dealing with organisations that promote hatred or violence, or on the detention of terrorist suspects before charge?

On the Regulation of Investigatory Powers Act 2000, and in relation to some of the most widely spread myths about RIPA, is she aware that the interception of communications commissioner, Sir Paul Kennedy, concluded his latest annual report by saying that

"no evidence has emerged from the inspections which have been conducted during the last three years to indicate communications data is being used to investigate offences of a trivial nature, such as dog fouling or littering"?

What are the terms of reference for the review? They are not in the statement. Is it to be held purely in the context of civil liberties, or will it have a wider remit? We believe that it should. Does the Home Secretary think the time scale long enough to do justice to the issues under review? Given the fact that the Olympics are fast approaching, will they be a factor in the deliberations?

Given our joint desire to overcome the practical difficulties that prevent the use of intercept as evidence in our courts, given that 28-day detention has to be reapproved by Parliament each year and given that control orders are subject to annual report by the independent reviewer of terrorism legislation, what further safeguards does the Home Secretary believe may be necessary? I would on this occasion appreciate some answers, given the importance of the subject.

I worry about the Government's position on counter-terrorism. They admonish senior counter-terrorism police officers for daring to discuss in a closed meeting with colleagues the implication of a 25% cut in their funding. They refuse to give the police and the security services the same assurances on funding as they provide for the Department for International Development. They plan to diminish important weapons in the fight against crime and terrorism such as the DNA database and CCTV. The balance between collective security and individual freedom has to be carefully struck under the ever-changing and constantly evolving threat of international terrorism, but this review appears to be about one side of that balance.

Liberal Democrats should remember the words of John Stuart Mill, who said:

"All that makes existence valuable to anyone depends on the enforcement of restraints upon the actions of other people."

The Government should remember that the slow creep of complacency is a phrase often used to describe the erosion of civil liberties. It is equally applicable to our vulnerability to terrorist attack.

Mrs May: Of all the things that I have seen in the couple of months since I became Home Secretary, the thing that has most struck me and surprised me has been the complete unwillingness of the Labour party to recognise what much of the counter-terrorism legislation that it introduced, and on occasions the misuse of that legislation, have done to civil liberties in this country. It has surprised me because I hoped that, in opposition, the right hon. Member for Kingston upon Hull West and Hessle (Alan Johnson) and his colleagues would have taken the opportunity to sit back and look at their records in government and wonder why in the past few years so many people, including the Conservative and Liberal Democrat parties, have been raising questions about the counter-terrorism legislation that the previous Government introduced. I am sorry that the right hon. Gentleman has not seen fit to use the time in opposition so far to undertake that exercise.

In the counter-terrorism review, we are looking at precisely the balance that the right hon. Gentleman talks about between collective security and individual freedom. We want to ensure that we strike the right balance between collective security and individual freedom and not the wrong balance that we believe the previous Government introduced in a number of areas.

The right hon. Gentleman asked for some statistics. I can tell him that 235 people were convicted of terrorism-related offences between 11 September 2001 and 31 December 2009, and a further 22 defendants were awaiting trial as at 31 December 2009. For the 28 terrorism-related trials completed in the 12 months to the end of last year, 93% were convicted, with just over half pleading guilty, and convictions included six life sentences. At the end of December 2009, 131 people were in prison for terrorism, extremist offences or charges relating to terrorism or extremism.

I am certainly not making light of the threat that exists in this country and, as the right hon. Gentleman acknowledged, nor did my right hon. Friend the Prime Minister when he came to the House to make his statement on detainees and the publication of guidance to our security services. We recognise the level of threat in the United Kingdom, but I say to the right hon. Gentleman and members of the Labour party that our fight against those threats is not aided by legislation that is misused or that people feel encroaches on civil liberties.

The right hon. Gentleman asked whether I could suggest legislation in which the Labour Government had ridden roughshod over civil liberties and then said they had not done so in relation to the detention of terror suspects before charging. I have to say to him that trying to introduce 90 days of pre-charge detention was indeed riding roughshod over our civil liberties. The review will look to ensure that our counter-terrorism legislation is appropriate to the level of threat and provides our police and our security and intelligence agencies with the powers that they need to combat that threat, while ensuring that we can enjoy our ancient civil liberties.

Mr David Davis (Haltemprice and Howden) (Con): I welcome the review unreservedly and in particular the appointment of Lord Macdonald to assist with it. That is a very good sign indeed.

However, may I raise with my right hon. Friend two questions that arise from what she has just said? First, she listed the six items that will be reviewed and I hope that at some point someone will look in aggregate at the overall effect of an authoritarian approach to terrorism, which itself creates a response in terms of radicalisation.

[Mr David Davis]

Secondly, on a more tactical basis, my right hon. Friend said that she wants the review to be open and transparent and that she wants to involve Liberty. At least one organisation has approached me to say that it has been unable to find out from the Home Office how it can make submissions to the review. Will she make sure that that is dealt with promptly?

Mrs May: I thank my right hon. Friend for his comments about the review. I will of course ensure that information is available from the Home Office as to how organisations and others can make comments as part of their submissions to the review.

I take the point that it is important to look at the collective impact of legislation. We will be looking at the six individual areas, but as part of that process we shall look at the overall impact of legislation. It is that balance that is so important for us to achieve—ensuring that the legislation is not brought into disrepute because of the overall impact or because it is felt that it encroaches on important liberties.

Keith Vaz (Leicester East) (Lab): Every new Government are entitled to review legislation in the way that the Home Secretary has suggested, and the Select Committee looks forward to seeing her on Thursday morning when we shall have the opportunity to explore these issues with her. I am grateful to her for agreeing to see us at such short notice.

May I press the Home Secretary on resources? The threat is still severe. Mr Yates has made it very clear that as far as he is concerned there will be cuts of £150 million to the counter-terrorism budget, and I understand that Home Office officials saw his speech before he delivered it to the closed session of the Association of Chief Police Officers last Thursday. Can the right hon. Lady confirm that it is the Government's intention to ensure that the counter-terrorism unit, and units all over the country, have the resources they need to fight terrorism and that there will be no cut to that budget?

Mrs May: I of course want to ensure that those involved in counter-terrorism, whether in the police or other agencies, are able to undertake the job we ask them to do and which they do diligently for us day in, day out. On spending cuts, however, no specific figure has been set. As the right hon. Gentleman will be aware, a spending review is under way in which Departments are looking at their expenditure and it is right that the Home Office does as other Departments do. I must tell the right hon. Gentleman and others on the Opposition Benches that I did not want to be in the position of looking at spending cuts in the Home Office and other Departments. The reason why we have to do so is that, in the words of the last Labour Chief Secretary to the Treasury, there is no money left. And whose fault is that? It is the Labour party's.

Sir Alan Beith (Berwick-upon-Tweed) (LD): I commend the Home Secretary for recognising that the very real threat to the safety of the people of this country is hindered, not helped, when people perceive that their civil liberties as well as their safety are threatened. Using terrorism powers to bundle people out of the Labour party conference, to stop people reading out names in Whitehall, or indeed to deal with the Icelandic banking crisis demonstrated how authoritarianism had taken over from rational assessment of what we need to defeat terrorism.

Mrs May: The right hon. Gentleman makes an extremely valid point. It is extremely useful, in the context of this statement and the questions and answers on it, to remind people of what happened at the Labour party conference, and what an abuse of terrorism legislation that was.

Hazel Blears (Salford and Eccles) (Lab): The Home Secretary's statement refers to a review of powers to deal with organisations that promote hatred or violence. Does she recognise that legislation alone is never sufficient to tackle complex issues of this nature? Will she look very closely at the current Department for Communities and Local Government review of the Prevent programme, which is very much designed to make communities part of the solution, not part of the problem? This is a complex, sophisticated and difficult area to tackle, but unless she makes communities part of the solution, we will not make the progress that we need to make.

Mrs May: The right hon. Lady makes a valid point. There is a role for legislation, but of course there is a role for activity beyond legislation, and working with communities is an important part of that. The Home Office is indeed working with the Department for Communities and Local Government to assess the Prevent strategy, and to consider how that can best be focused on its proper aims. Part of it is the community-building that she has described, in addition to its counter-terrorism aspect.

Dr Julian Lewis (New Forest East) (Con): At a meeting earlier today, the American anti-terrorist expert Dr Marc Sageman expressed his surprise that we do not use a method that is found to be very effective in the United States and other countries at deterring people from joining terrorist movements, which is to publish in full the transcripts of the trials that are held when plots are uncovered and disrupted. That would be a very effective mechanism, and it could also lead to television re-enactments which would show that far from these people being 10 feet tall and great warriors, they are often very banal, very stupid and very deserving of our contempt.

Mrs May: My hon. Friend has made an interesting point; it is not something that I had looked at. I am perfectly willing to look at it, if he would like to send me some information. He will have noticed that my right hon. and learned Friend the Lord Chancellor and Justice Secretary has been present and will have heard the point that he made.

Dr William McCrea (South Antrim) (DUP): Government's first responsibility is the protection and safeguarding of the law-abiding community from acts and threats of terrorism. It is not enough to praise our security forces and services; they need to be allowed the tools and the freedom to do their job. Will the Home Secretary assure the House that no action will be taken that will compromise that responsibility, just to promote a political agenda or get something over the Opposition?

Mrs May: I thank the hon. Gentleman for his question, and recognise that, given the experience that he has, ensuring that the police and others have the proper powers to combat terrorism is extremely important. In responding to him, may I take the opportunity of paying tribute to the work of the Police Service of Northern Ireland, particularly last night and yesterday in Northern Ireland, given the difficulties and the troubles that arose in relation to a parade. I assure him that I fully recognise that the first duty of Government is to protect their citizens, and it is against that background that we will be conducting the review.

Patrick Mercer (Newark) (Con): In recognition of the shadow Home Secretary's last question, I do not believe that there is any complacency in countering terrorism from this Government. However, there might be a temptation to concentrate too much, or exclusively, on the threat from Islamist fundamentalism. Will the Home Secretary assure me that the grave dangers from Irish republicanism will also be dealt with and reviewed as part of the process?

Mrs May: I am grateful to my hon. Friend for his question. He makes an important and valid point. I can assure him that we are well aware of the increased threat that arises from dissident republicanism. That is why resources have been looked at in dealing with it in Northern Ireland. We are very conscious that there are diverse terrorist threats to the UK—they are not all from one group or one type of person.

Jeremy Corbyn (Islington North) (Lab): I welcome the review and was slightly surprised that we are still, apparently, going to renew the 28-day provision tomorrow. May I draw the Home Secretary's attention to the fourth area she identified—looking into extending the use of deportations with assurances? Could she give me two assurances: first, that no one will be deported while the review is going on, and secondly, that there will be no consideration whatever of a continuing regime that allows people to be deported to countries that have not signed the relevant United Nations declarations, particularly the conventions on torture?

Mrs May: I thank the hon. Gentleman for focusing on that issue. He asked me to ensure that there were no deportations during the review—a rather wide commitment —but the purpose of his question was to focus on deportations with assurances. Of course, the issue arises because we have had a number of cases here in the UK where individuals have been identified as posing a terrorist threat to the UK, but because of the legal interpretations of our duties and requirements under the European convention on human rights, it has not been felt possible to deport those individuals to certain countries. We wish to continue to work with a number of other countries to ensure that it will be possible to deport people with assurances that they will not be subject to torture.

Mr William Cash (Stone) (Con): On the point that the Home Secretary has just made about legal interpretation, has she taken note of the fact that many senior members of the judiciary, including the Lord Chief Justice, have raised serious concerns relating to the manner in which the convention on human rights has been interpreted by the Court in Strasbourg and that, for practical purposes, the balance between protecting civil liberties on the one hand and the security of the people on the other must be maintained? Therefore, the review is welcome, but she must take into account the fact that many senior members of the judiciary do not regard this as xenophobic legal nonsense.

Mrs May: I am happy to take into account the fact that many members of the judiciary have different views on the issues that we will review. Of course, as I said earlier, we aim to get the right balance between ensuring that we can protect members of the public and ensuring our national security, while maintaining our civil liberties.

Michael Dugher (Barnsley East) (Lab): Does the review not send out completely the wrong signals to the public and, indeed, to those who would jeopardise the safety and security of the public? Would the Government's time not be better spent backing the police and the security services with the resources and powers that they require?

Mrs May: I assure the hon. Gentleman that we do indeed back the police and our security services. As I said in my statement, they do a very important job for us day in, day out, often at some risk to themselves, and we pay tribute to all the work that they do for us. But that work is not aided by a situation where many members of the public feel that certain pieces of legislation have been introduced and abused. I think that, in fact, a former Labour Home Secretary, Jacqui Smith, referred to the snooping tendencies of local authorities under RIPA. Such things do not aid the police in the work that they have to do to protect us on a daily basis.

Paul Uppal (Wolverhampton South West) (Con): May I welcome the review announced by the Home Secretary today and elaborate on that? Opposition Members have spoken about how legislation was introduced under the previous Government. Often, that was easily done by arguing that it was what the security forces requested. Returning to the point made by the hon. Member for Barnsley East (Michael Dugher), it is easy to take that prosaic approach. I welcome the approach taken today; it shows a holistic and encompassing view, which promotes the fact that we in the Chamber and the Executive take these decisions for reasons of collective security against individual freedom, rather than taking such a prosaic approach.

Mrs May: My hon. Friend makes an extremely valid point. It is the job of politicians and the Government to ensure that we maintain the appropriate balance and that our counter-terrorism legislation is proportionate and focused. It is indeed the job of the Government not simply to accept every suggestions that is made to them, but to judge the value of those suggestions and decide accordingly.

Emily Thornberry (Islington South and Finsbury) (Lab): As one of the group of MPs who originally seconded the amendment in the name of my hon. Friend the Member for Walsall North (Mr Winnick) that called for 28 days instead of 90 days, may I point out to the right hon. Lady that there was never any

[Emily Thornberry]

magic formula about 28 days—it was simply 62 days better than 90 days? I am pleased that there will be a review of this issue and that the former Director of Public Prosecutions will have an opportunity to consider that figure. If indeed he recommends 14 days, I hope that the right hon. Lady will stick by that recommendation.

Mrs May: I am grateful to the hon. Lady, both for the action that she took previously to ensure that we did not go through with 90 days and for the point that she has made. My view is clear: we need to consider how we can reduce from 28 days. The debate tomorrow will be about the extension of the 28-day provision for six months, which gives us time to conduct the review properly, alongside all the other issues on counter-terrorism legislation that we are considering, so that we can look at that in a balanced and proportionate way.

Mr Oliver Heald (North East Hertfordshire) (Con): In welcoming the statement, may I remind my right hon. Friend that when the Regulation of Investigatory Powers Act was going through the House, Conservatives and Liberal Democrats made common cause in opposing the careless way in which the then Government wanted to give powers of data-mining for communications data and surveillance to a wide range of bodies, such as local authority waste departments and the Royal Parks constabulary? The issues that were looked at, such as dog fouling and littering, went far beyond what most people would consider reasonable. Will she carefully examine that Act and try to ensure that we do not have an unreasonable aggregation of powers that brings security into disrepute?

Mrs May: I thank my hon. Friend for the points that he has made. He played a very important part in the debate about that legislation when it was going through the House, and he raised exactly those points—as part of a coalition before the coalition, if I can describe it as such. We will, indeed, look carefully at the Act. Those powers have been added to over time, and as a result brought the matter into disrepute.

Pete Wishart (Perth and North Perthshire) (SNP): I, too, very much welcome the statement by the Home Secretary, who is absolutely right to roll back the anti-civil libertarian state that the previous Labour Government established. I accept that the review will start with the presumption of reducing the 28-day limit, but does she have in mind an appropriate number of days for pre-charge detention?

Mrs May: Personally, I was always in favour of 14 days, but the whole point of a review is to look at what the appropriate period should be, and I do not wish to pre-empt the review's decision or the information with which it will come forward.

Tom Brake (Carshalton and Wallington) (LD): The review must be totally transparent, so can the Home Secretary confirm that she will publish its full terms of reference? Will she also state today that tomorrow's renewal of the 28 day pre-charge detention period, if it proceeds, will be the last?

Mrs May: I am happy to ensure that the terms of reference are available to hon. Members. As I said in my statement, the six-month extension of the 28-day pre-charge detention period will enable us to consider that period as part of the review, and to explore how we can reduce the detention period to below 28 days.

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): Does the Home Secretary accept how much I—as somebody who voted against both 90 days and 42 days, and for 28 days only because, as my hon. Friend the Member for Islington South and Finsbury (Emily Thornberry) said, it was 62 days less than 90 days—welcome the review? It is long overdue.

Mrs May: I am very grateful to the hon. Lady for her comments. She was indeed another Member in the battle against the 90 days, which we all felt was government authoritarianism gone mad.

Tracey Crouch (Chatham and Aylesford) (Con): Under the previous Government, a photographer from Medway was arrested in Chatham high street under section 44 stop-and-search powers, and he and fellow photographers from Medway will welcome today's announcement from the Home Secretary. Will she assure the House that any future revision of anti-terror legislation will strike the right balance between protecting the public and safeguarding the rights of individuals?

Mrs May: I am happy to give that assurance to my hon. Friend. She may have noticed that in my statement I specifically said that we would look at the issue of photographers and stop-and-search powers. It is one issue that has been brought home forcibly to me. I have had constituency cases of people who have been stopped under those powers and been concerned about it, and I have received a number of representations from Members of this House, and indeed of another place, about those problems.

Ms Margaret Ritchie (South Down) (SDLP): In the interests of promoting civil liberties and the principles of human rights while recognising the need to reduce terrorism, will the Secretary of State indicate the nature of the involvement with intelligence agencies and Government Departments in Northern Ireland?

Mrs May: I am happy to confirm that, as I said in my statement, we will of course talk to agencies and Government Departments in Northern Ireland. The hon. Lady will have noticed the Secretary of State for Northern Ireland in the Chamber listening to the statement, and he is here so that we can ensure that the power that we obtain as a result of the review, and the exercise of that power, is appropriate throughout the United Kingdom.

Margot James (Stourbridge) (Con): Although the major threat to our security currently comes from militant Islamic groups, younger members of whom have been tragically brainwashed, I would like to ask a question based on the Muslim population I have in my constituency—some 1,500 people, the vast majority of whom lead decent, quiet and law-abiding lives. However, the misuse of anti-terror legislation and the Islamophobic comment in the press produce an atmosphere of insecurity. Does my right hon. Friend agree that in the end, this leads to

a greater threat to our security, because it is essential that our security forces have at their disposal contacts within the Islamic community for intelligence purposes; and will she, in the spirit of transparency, agree to involve moderate Muslim groups in her consultation?

Mrs May: As I am sure that my hon. Friend will have noticed, I said in my statement that we are hoping that a number of groups will be able to be involved in the review. I fully take her point that it is important that we get the balance between security and civil liberties right. Otherwise, such measures can not only bring the legislation into disrepute but cause some people to feel insecure and to feel that what the Government are doing is simply being done against them. That is not the case. We need to look across the board at our counter-terrorism legislation, always having in mind the need to ensure that we get that balance right.

Mark Durkan (Foyle) (SDLP): As someone who, in the last Parliament, opposed from the Government Benches many of the previous Government's measures in legislating disproportionately and, I believe, counter-productively on counter-terrorism, may I ask the Secretary of State to explain why, in the context of this review, the parallel powers in the Justice and Security (Northern Ireland) Act 2007 should not also be reviewed at the same time?

Will the Home Secretary give us some idea of Lord Macdonald's role in oversight of the review? We are told that it is a Home Office review that will be conducted in liaison with other Departments but that Lord Macdonald will have oversight. Will people submitting to the review have engagement with Lord Macdonald, engagement with the Home Office, or both?

Mrs May: Anybody wishing to submit comments or proposals to the review will do so to the Home Office. Lord Macdonald's role will be in reviewing how the review has been undertaken, to ensure that it has been done properly and that all options have been properly considered.

As for the 2007 Act, when I spoke here last week about section 44 of the Terrorism Act 2000 and the interim changes that I am making to the guidance on that, I was conscious of a number of contributions from the Opposition Benches, including, I think, from the hon. Gentleman himself, encouraging me to ensure that the Police Service of Northern Ireland had appropriate powers, some of which are in the very Act that he cited.

Dr Julian Huppert (Cambridge) (LD): I thank the Home Secretary for her statement, the review and the attitude that is being taken to it; that is very welcome. However, I am still disappointed that she did not allow the provision for 28 days' detention without charge to lapse during the period of the review. May I follow up the question asked by my hon. Friend the Member for Carshalton and Wallington (Tom Brake), which did not get a clear response in her statement or her answer? Will she pledge not to introduce another 28-day detention period at the end of the six months, or is she trying to maintain that option—in order, perhaps, to ask us yet again to vote for 28 days' detention?

Mrs May: The hon. Gentleman is encouraging me to pre-empt the result of the review. I am absolutely clear, as I said, that the review will look at the pre-charge detention period with a view to reducing it from 28 days. However, I do not want to pre-empt the result of the review, so, tempting though it might be, I would simply refer him to the comments that I made earlier.

Yasmin Qureshi (Bolton South East) (Lab): I welcome the Home Secretary's review of the counter-terrorism legislation. Although I was not in Parliament when this matter was debated, I was certainly campaigning against that piece of legislation. May I ask the Home Secretary to be tempted, and to bring in tomorrow a reduction from 28 to perhaps seven or 14 days?

Mrs May: I am grateful to the hon. Lady for her support for the review, but I am afraid that I am going to give her the same answer as I gave to two of my Liberal Democrat hon. Friends—that I do not want to pre-empt the result of the review. We will have our debate tomorrow, and then, when the review reports, we will be able to look at its proposals.

Mr Peter Bone (Wellingborough) (Con): I congratulate the Home Secretary on making her statement—and on allowing us to hear it in the House first, rather than in the media. Can she tell the House why intercept evidence is not being considered in the review, but is being considered separately?

Mrs May: I am happy to do so. The previous Government set up a process to consider intercept evidence, and a Privy Council group is in existence to do that. In fact, the right hon. Member for Berwick-upon-Tweed (Sir Alan Beith) is a member of that group. I want to talk to it about how we can take that issue forward in the best and most appropriate way, and I think it is better to do that over time rather than shoehorn it into this review.

Rehman Chishti (Gillingham and Rainham) (Con): We had a previous Government who made legislation for the sake of legislation: in the past 13 years we had more legislation than in the previous 100 years. With regard to point two in the review mentioned by the Secretary of State—photography and terrorism—will she receive representations from the president of the Kent photographic organisation about how badly photographers have been affected by the legislation?

Mrs May: I would be very happy to receive those representations from my hon. Friend.

Charlie Elphicke (Dover) (Con): A warrant is needed to enter my home, but there is not similar judicial oversight in relation to RIPA, in particular on communications access at my electronic home, or whether I am followed on the school run or my garbage is looked through. Will the review particularly consider judicial oversight of RIPA powers?

Mrs May: The review will specifically consider the use of RIPA powers by local authorities, which has been a key matter; people have been extremely concerned about the powers that are available and how those powers have been used. As I said earlier, it was a former Labour Home Secretary, I believe, who referred to those powers as a "dustbin Stasi".

Mrs Helen Grant (Maidstone and The Weald) (Con): Does my right hon. Friend accept that the last Government got the balance between security, unlimited stop-and-search powers and liberty completely and utterly wrong?

Mrs May: I think they did, and as I said earlier in response to the shadow Home Secretary, I am only sorry that they have not taken the opportunity of being in opposition to think again.

Points of Order

4.12 pm

Ann Clwyd (Cynon Valley) (Lab): On a point of order, Mr Speaker. I always thought I was the employer of my members of staff, and I would be glad if you could confirm that. On Friday, one of my valued members of staff came to me in a state of agitation and said that he had just received a P45 through the post. I thought that if a P45 was to be issued, it was I who would issue it. It was not clear who did issue it, but some light has been thrown on the matter by the latest communication from the Independent Parliamentary Standards Authority —issue 7 of its communications. Under the heading "P45s from the House of Commons", it states:

> "We are aware that the House of Commons has sent P45s to those staff members who were in receipt of 'payments after leaving' in the House of Commons June payroll. Please note that this has no effect on the contracts we hold for these employees, and neither yourselves nor the staff member concerned needs to take any further action, either with ourselves or with HMRC. If you do have any concerns, please contact the House of Commons directly."

Who in the House of Commons should I contact, and am I the employer of my staff any more, or has that power somehow disappeared from me as well?

Mr Speaker: I am grateful to the right hon. Lady for saying what she has said, and in addition for giving me advance notice of a very real concern that she has. Strictly speaking, I am advised that it does not constitute a point of order, because it does not relate specifically to the procedure of the House, but that is not to say that it is not important, because it is. What I would say to the right hon. Lady, and indeed to the House, is that if she wishes to write to me with further details of this matter, it can be considered by the Speaker's Committee for the Independent Parliamentary Standards Authority, and I would of course be minded to ensure that it was so considered.

Several hon. Members *rose—*

Mr Speaker: We will take it in turns between the parties. Dr Lewis looks as though he is about to overflow —we must hear from him.

Dr Julian Lewis (New Forest East) (Con): Further to that point of order, Mr Speaker. I am glad that you made that wise choice, because this follows on from the previous point of order. I would like to say—if I can, within the rules of order—that most of these problems seem to flow from an impersonal approach by IPSA. I can advise hon. Members on both sides of the House that I have benefited from a degree of relenting on the part of IPSA, in that it has been willing to send a human being to meet and advise me, even in my own office—and, having spoken to human beings from IPSA, I have to say that they are very reasonable and decent people indeed. They ought to get out and about a bit more.

Mr Speaker: I am grateful to the hon. Gentleman for his point of order. With reference to the earlier part of his remarks, I would simply say that we are always interested, of course, to hear his advice, and that is what he has proffered today.

Paul Flynn (Newport West) (Lab): On a point of order, Mr Speaker. You will be aware of the great reliance that has been placed on the Afghan army in order to build a stable state in Afghanistan. The Government have given much credence to that strategy. We have heard today the tragic news of the further deaths of, and injuries to, British soldiers, allegedly at the hands of a member of the Afghan police. We have heard further evidence that there is no loyalty in this mercenary force to its own President and country, and certainly not to foreign Governments. Given our exit strategy, should today's tragic events not be marked by a statement in the House? Have you been approached by a Minister about making such a statement?

Mr Speaker: The appropriateness or otherwise of a statement is not a matter for me to decide. The short answer to the hon. Gentleman's question is that no Minister has given me any indication of an intention to make a statement. However, by virtue of using the device of a point of order, he has registered very clearly and on the record his views on this important matter, and I have a feeling it will have been heard here—and, indeed, in Newport.

Mr Edward Leigh (Gainsborough) (Con): On a point of order, Mr Speaker. I very much welcome what you said in response to the right hon. Member for Cynon Valley (Ann Clwyd), because you seemed to be intimating to the House that although it was not strictly a point of order—because it did not relate to the business of the House—it was important for Members to have an opportunity to raise matters concerning IPSA on the Floor of the House. Do I take it from your ruling, therefore, that we can reassert a degree of parliamentary control over IPSA by being allowed to raise its conduct with you directly in points of order?

Mr Speaker: The hon. Gentleman should not read into what I said any more than what I said. The right hon. Member for Cynon Valley (Ann Clwyd) raised a point of importance and concern to her and, I am sure, others. In seeking to respond effectively to her attempted point of order, I simply drew attention to the fact that there was a means by which the issue could be considered. I have said what I have said. The Speaker's Committee for the Independent Parliamentary Standards Authority will be a forum in which matters of concern can be aired and addressed. It will not be beyond his ingenuity to make of that what he will.

Chris Bryant (Rhondda) (Lab): On a point of order, Mr Speaker. Have you had an opportunity to complete your deliberations on the matter I raised with you last week—the fact that under the House of Commons Disqualification Act 1975, only 95 Ministers may sit and vote in the House of Commons at any one time? At the beginning of last week there were only 95 Ministers, but then three Liberal Democrat Members, who I understand to be part of the Government, were appointed as Whips. That takes us above the 95 figure, so surely either they should not be allowed to sit and vote in the House of Commons, or—if they are now organising an operation separate from the Government—they should be sitting on the Opposition Benches, not on the Government Benches, or they should not be calling themselves Whips.

Mr Speaker: I have indeed inquired into the matter that the hon. Gentleman previously raised. I have completed what he generously described as my deliberations on the subject, and I have reached my conclusion. What is more, as he can tell, I am literally itching to share my conclusion both with him and with the House—although how he will feel when I have finished is a matter for speculation and conjecture. I am assured by the Liberal Democrat Chief Whip that the three hon. Members whom he has asked to work as party Whips are not members of the Government. On that basis, the hon. Gentleman's concerns about the total number of Ministers on the Government payroll can be allayed. If—I emphasise the "if"—it is possible, as a result of this ruling, to put his mind at rest, I shall be especially gratified.

Mr Peter Bone (Wellingborough) (Con): Further to the point of order raised by the right hon. Member for Cynon Valley (Ann Clwyd), Mr Speaker. Will we regularly have a chance in the Chamber to question a member of the Speaker's Committee for IPSA on the issue that concerns so many in this House?

Mr Speaker: Some people do like to push it—as is becoming evident. This is a matter of concern, so what I would say to the hon. Gentleman is that consideration has been given to whether written and oral parliamentary questions should be capable of being tabled with a view to their being answered. If and when there is procedure for oral answers to be given, the hon. Gentleman will learn very quickly, because I know the determination and consistency with which he always studies the Order Paper.

If there are no further points of order, and the appetite has been satisfied, we now move to the presentation of Bills.

BILL PRESENTED

Shared Parenting Orders Bill

Presentation and First Reading (Standing Order No. 57)

Mr Brian Binley, supported by Dr Thérèse Coffey, Mr Douglas Carswell, Mr Philip Hollobone, Mr Christopher Chope, Mr Peter Bone, Mark Reckless, Caroline Dinenage, Mark Pritchard, Harriett Baldwin and Mr David Nuttall, presented a Bill to provide for the making of Shared Parenting Orders and to create a legal presumption that such Orders enhance the welfare of the child unless certain exceptions apply; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 17 June 2011, and to be printed (Bill 56).

Foreign Prisoners (Repatriation)

Motion for leave to bring in a Bill (Standing Order No. 23)

4.21 pm

Mr Philip Hollobone (Kettering) (Con): I beg to move,

That leave be given to bring in a Bill to provide for the immediate repatriation of foreign nationals awarded a custodial sentence to serve detention in their country of origin; and for connected purposes.

In moving the motion, I would like to welcome to his place the Prisons Minister, the Parliamentary Under-Secretary of State for Justice, my hon. Friend the Member for Reigate (Mr Blunt). I am also delighted to see next to him members of the Treasury team—my hon. Friends the Economic Secretary to the Treasury and the Exchequer Secretary to the Treasury—who I am sure will be thrilled to know that my Bill, if enacted in full, would save Her Majesty's Exchequer some £460 million a year, which I am sure would be a welcome contribution to reducing our nation's record deficit.

The situation regarding foreign nationals in prison in our country is a national disgrace. There are 11,367 foreign nationals currently serving time in Britain's jails—some 13% of the prison total—and the number has almost trebled in the past 15 years, up from just 4,000 in June 1995. Two of Her Majesty's prisons are devoted entirely to housing foreign national prisoners: HMP Canterbury and HMP Bullwood Hall. Indeed, we have the privilege of having foreign national prisoners from some 160 different countries serving time at Her Majesty's pleasure. We have become, in many respects, the United Nations of crime. My Bill would save a huge amount of money for the British taxpayer and free up valuable space in our prison estate, which is basically full, but it would also enable Her Majesty's Government to rehabilitate better our own prisoners who are serving time in jail.

Typically, foreign national prisoners spend between eight and 10 months in Britain's jails. One third have been convicted of violent or sexual offences, while one fifth have been convicted for drug crimes. Although 160 different countries are represented, 10 countries account for half the total, and five countries account for one third. The top five in the list of shame are as follows: Jamaica, with 963 prisoners; Nigeria with 752; the Republic of Ireland with 647; Vietnam with 620; and Poland with 617. Those five countries alone are contributing 3,600 prisoners.

There has been legislation on this matter in recent years. The Repatriation of Prisoners Act 1984 enabled Her Majesty's Government to negotiate voluntary transfer agreements with countries around the world, but unsurprisingly, not many prisoners volunteered to be returned to their country of origin. In 2006, the previous Government amended the Act to enable compulsory transfer agreements to be introduced. In 2008 a system was introduced for prisoners serving more than 12 months to be automatically deported to their country of origin at the end of their sentence.

My Bill would enable Her Majesty's Government to transfer foreign national prisoners back to secure detention in their own countries without their consent. I do not see why the British taxpayer should pay the bill for the housing and lodging of foreign nationals who have abused our trust by committing crimes so heinous that they have been jailed in this country. I believe that their own countries of origin should pick up the bill.

Nigeria, which is second on the list, with 752 foreign nationals in our jails, is seeking to conclude a compulsory transfer agreement with the United Kingdom, and I understand that that legislation is now before the Nigerian National Assembly. Indeed, it has been in that position since 2007. I should like politely to suggest that Nigeria be encouraged to get a move on. It has not escaped my notice that, while we British taxpayers are paying £30 million for incarcerating Nigeria's foreign nationals in our jails, we are at the same time giving that country £132 million annually in development aid. Now, fair's fair—if we are going to contribute to the development of that nation, it ought to be mindful of the extra costs that we are bearing by incarcerating its prisoners in our country. Nigeria, Jamaica and other countries on the list are Commonwealth countries, so there should be no suggestion that returning people to those countries would result in their being badly treated.

An additional protocol to the Council of Europe's convention on the transfer of sentenced persons, which Her Majesty's Government signed in November 2009, allows for the compulsory transfer of sentenced persons back to their country of origin among the 35 signatory countries, including all of the European Union. That would cover some 3,100 foreign national prisoners, or 28% of our foreign national prison population. The list of shame covered by this agreement is headed by the Republic of Ireland with 647 prisoners, Poland with 617, Romania with 357, Lithuania with 330 and France with 163.

My message to the Under-Secretary of State for Justice, who has done an excellent job in his first few weeks as prisons Minister, is that we should gently encourage our European partners to abide by the terms of the additional protocol and ensure that facilities are in place to ensure the swift transfer of foreign national prisoners back to those countries.

Times are hard, and we have heard from the Opposition that our country has run out of money. The bill that we face every year for the incarceration of foreign nationals in our jails is simply too high, and the time has come for the British taxpayer to say to our friends and neighbours around the world, "If you're going to send us people who behave so badly that they're found guilty of crimes serious enough for them to be sent to jail, fair's fair, you must take your citizens back to their own country and make sure that they serve time in secure detention there." That would rehabilitate them better, among their friends and family, and it would free up our prison space so that we could rehabilitate better our own nationals who have strayed away from the right path of the law. It would save us a lot of money and do the right thing. I very much hope that the message is being received loud and clear by those in authority both in our country and among our friends and neighbours abroad.

Question put and agreed to.

Ordered,

That Mr Philip Hollobone, Mr David Davis, Mr Peter Bone, Mr Julian Brazier, Andrew Rosindell, Mr David Nuttall, Mr Andrew Turner, Patrick Mercer, Mike Freer, Bob Stewart, Priti Patel and Gordon Henderson present the Bill.

Mr Philip Hollobone accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 10 June 2011, and to be printed (Bill 54).

Finance Bill

[2ND ALLOCATED DAY]

Further considered in Committee (Progress reported 12 July)

[MR NIGEL EVANS *in the Chair*]

Clause 3

RATE OF VALUE ADDED TAX

4.32 pm

Stewart Hosie (Dundee East) (SNP): I beg to move amendment 13, page 2, line 7, leave out subsection (1).

The First Deputy Chairman of Ways and Means (Mr Nigel Evans): With this it will be convenient to discuss the following: amendment 54, page 2, line 7, leave out '20' and insert '18'.

Amendment 22, page 2, line 8, at end insert—

'(2) Subsection (1) shall apply until 4 January 2012.'.

Amendment 14, page 2, line 9, leave out subsection (2).

Amendment 1, page 2, line 12, after 'made', insert

'on or after a specified date'.

Amendment 41, page 2, line 13, at end insert

'unless the report referred to in subsection (6) has not been completed, in which case the date shall be 4 January 2012.'.

Amendment 2, page 2, line 15, after 'imported', insert

'on or after a specified date'.

Amendment 42, page 2, line 15, at end insert

'unless the report referred to in subsection (6) has not been completed, in which case the date shall be 4 January 2012.'.

Amendment 3, clause 3, in page 2, line 17, at end add—

'(6) In subsections (3) and (4) above "a specified date" means a date specified by the Treasury by an order made by Statutory Instrument, which may not be made until—

(a) an impact assessment of the effect of this section and Schedule 2 has been laid before the House of Commons; and

(b) a draft of the order has been laid before, and approved by resolution of, the House of Commons.'.

Amendment 23, page 2, line 17, at end add—

'(6) The rate of value added tax shall remain at 17.5 per cent. on children's prams, cots, toys, high chairs, babies bottles, nappies, children's sanitary products and teething-related goods.'.

Amendment 25, page 2, line 17, at end add—

'(6) The Chancellor of the Exchequer must, prior to the introduction of the change to the rate of VAT specified in subsection (1) above on the date specified in subsections (3) and (4) above, compile and lay before the House of Commons a report containing an assessment of the impact of the increase in VAT on—

(a) the disposable income of low-income households,

(b) people with physical and mental disabilities,

(c) the competiveness of the UK Retail Sector,

(d) the competiveness of the UK construction industry,

(e) the NHS, and

(f) local government.'.

Amendment 40, page 2, line 17, at end add—

'(6) Before 4 January 2011 the Treasury shall lay a report before the House of Commons on the scope of the standard rate of VAT.'.

Amendment 43, page 2, line 17, at end add—

'(6) The Treasury shall prepare a report into the impact of the rise provided for by subsection (1) on—

(a) pensioners;

(b) children and child poverty;

(c) inequality;

(d) the bottom quintile of households by income;

(e) charities, and

(f) the informal economy,

in the United Kingdom and lay it before the House of Commons.'.

Amendment 46, page 2, line 17, at end add—

'(6) The Treasury shall prepare a report into the impact of the increase in VAT rate provided for by subsection (1) on pensioners in the United Kingdom in 2010-11 and 2011-12; this report shall be prepared and laid before the House of Commons prior to the Commons Committee stage of any further Finance Bill that is brought before the House in the current Parliamentary session and shall propose ways in which the pensioner population of the United Kingdom can be assisted in meeting the additional costs imposed on them by the rise provided for in subsection (1).'.

Amendment 55, page 2, line 17, at end add—

'(6) Subsection (1) shall apply until 4 January 2013.'.

Clause stand part.

Schedule 2 stand part.

Stewart Hosie: I shall speak to amendments 13 and 14, tabled by me and my hon. Friends. Amendment 14 is a probing amendment. I have no particular problem with a reduction in the VAT rate relating to the restrictions in the value of imported goods, but I am seeking to probe to ensure that the necessary changes will definitely be in place so that businesses are not charged more than they should be when the provision comes into force. When the Conservatives were in opposition, they quite rightly used to berate the Government for the size and complexity of the tax code. They would pile up Tolley's tax guides as evidence that it was complicated, so I want to make sure that they have dotted the i's and crossed the t's on this particular change.

One might imagine that importing something into this country would be reasonably straightforward, and that a modest change to the VAT rate would be simple to make. If something is imported by air or sea, however, it requires a certificate. It can be done under the single administrative document; it can be manually processed with an SAD authenticated copy 8; it can have a trader input computerised process with a weekly VAT certificate issued by the customs computer under report TW-AH or TW-BH; and it can have a post-entry correction form C18. Removal from a customs warehouse would require a form C259, and an excise or customs warehouse requires a duty payment form W5, W6 or W20—and so on and so forth.

Of course, VAT is far from simple even on imports from the EC. The VAT territory of the European Community in respect of Denmark excludes the Faroes and Greenland—and there is much more of this to come. For Germany, Busingen and the isle of Heligoland are excepted; while for Italy, there are the communes of Livigno and Campione d'Italia, and the Italian waters of Lake Lugano. Portugal includes the Azores and Madeira. Spain includes the Balearic islands, but excludes Ceuta and Melilla. The United Kingdom includes the Isle of Man. Then there are the overseas French départements and Mount Athos in Greece.

[Stewart Hosie]

I am merely trying to explain the extraordinary complexities that will have to be addressed in advance to ensure that this modest VAT reduction can be implemented and that businesses can operate fully and safely. Other Members may have identified other weaknesses in the reduction, but I will allow them to make their own cases.

As I said on Second Reading, the real damage done by this Finance Bill relates to the Government's determination to raise the standard rate of VAT from 17.5% to 20%. Amendment 13 seeks to delete that VAT increase—an increase that is wrong precisely because it directly contradicts the stated intention of both the coalition parties, which say that they want to create a fairer society. I think that, on balance, the Liberal Democrats were right when, before the election, they warned of the Conservatives' "VAT bombshell". It is no less threatening and fateful today. Looking at the serried ranks of five Liberal Democrats who are sitting here, I wonder whether this is the time for them to stick with principle, and perhaps forgo the possibility of having a ministerial Mondeo one day.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): My hon. Friend made a good point about the Liberal Democrats' "VAT bombshell" warnings. Those warnings were, of course, issued when the pre-Budget report had forecast a deficit of £177 billion. By the time of the Budget, however, the deficit was only £149 billion. With a lower deficit, the Liberal Democrats wanted more VAT to plug the gap. Can my hon. Friend explain their thinking?

Stewart Hosie: I would be here for some time if I were to explain the convoluted thinking of the Liberal Democrats, but my hon. Friend has made an extremely important point. Early forecasts of the deficit were high and later forecasts were lower, almost certainly as a consequence of the fiscal stimulus that took place at the time. I think that the Liberal Democrats are wrong to embark on an increase now. I shall explain some of the other economic consequences later, but just in case anyone thinks that I am being unbalanced and that I am going to let Labour off the hook, I think the very fact that the original plan had worked made it difficult to understand why Labour should allow the United Kingdom to be one of only two countries in the G20 to withdraw a fiscal stimulus package in 2010.

Jo Swinson (East Dunbartonshire) (LD): May I complete the picture presented by the hon. Member for Na h-Eileanan an Iar (Mr MacNeil)? While it is certainly true that the overall deficit has fallen somewhat, the structural deficit—the bit that we really need to worry about—is in fact £12 billion higher than was anticipated. Incidentally, that is about the same amount that will be raised by the VAT increase.

Stewart Hosie: The hon. Lady is right about the size of the structural deficit. I have never disputed that. She is also right to suggest that the VAT increase will provide some £12 billion to £13 billion more for the Exchequer. That, too, is a matter of recorded fact. However, it does not justify a short-term, fixed attempt to tackle the deficit, leaving little flexibility. Indeed, the case that she makes—that there is a great deal of uncertainty, and things change—probably justifies our original intention to go for a medium-term deficit consolidation strategy in the first place.

While, as I conceded on Second Reading, it is possible that, in cash terms at least, wealthier people will pay more VAT, it is equally clear that the poorest 10% will pay considerably more of their cash to the Government as a percentage of disposable income—three times more—than the richest 10%. All that is due to choices made by the Government. They have previously argued, and I am sure will argue again this evening, that the increase was unavoidable. However, there was nothing unavoidable about putting up VAT, nothing unavoidable about an accelerated attack on the structural deficit, nothing unavoidable about a deficit consolidation plan over a fixed term, nothing unavoidable about taking £32 billion more in public service cuts on top of the cuts bequeathed by the Labour party, and nothing unavoidable about £40 billion a year of extra fiscal tightening in addition to the £57 billion or so planned in the final year by the Labour party. So this coalition Government could have avoided raising the VAT bill for the poorest families to over £31 a week.

Alec Shelbrooke (Elmet and Rothwell) (Con): Will the hon. Gentleman elaborate on the fact that the income tax threshold has been raised by £1,000, taking almost 1 million people out of income tax? That is, of course, a regressive tax, whereas VAT is charged on about 50% of consumer goods. Is not the effect on the poorest families in this country therefore mitigated?

Stewart Hosie: Obviously income tax is paid on income and VAT is paid on all spending, including by people who do not earn and who therefore will not benefit one jot from the income tax change.

Mr MacNeil: Given the Liberal Democrats' arguments on deficits and structural deficits, and the subjectivity of those arguments, should they and their Conservative allies and friends not have a sunset clause for this VAT rise to ensure that when the deficit reaches a certain point they will hit reverse gear and think of pensioners and the low paid, rather than of expediency in government?

Stewart Hosie: I would be very supportive of a sunset clause if this measure were a serious attempt to tackle the structural deficit and get the accounts on to a balanced basis thereafter. There may well be later amendments that posit that view, and we will see whether they are pressed to a Division.

This change was a political decision and we have the opportunity this evening to reverse it and to demand again a credible medium-term deficit consolidation strategy, not one that simply puts up VAT, with all the social and economic consequences. We should think about the impact that the increase will have on families—not just hard-pressed families who are working, but those who will see unemployment benefits reduced in real terms, whose tax credits may be cut or squeezed, and whose housing benefit, particularly in areas where rented housing is expensive, will come under real pressure. That is the part of society that will suffer most from this VAT rise. According to Shelter, almost half of local housing allowance claimants are already making up a shortfall

of almost £100 a month to pay their rent. It is those people at the bottom, who are working hard on modest means and are already struggling to make ends meet, who will be hit hardest by this additional VAT rise.

There are, of course, many other reasons to oppose the rise. Mike Bailey, the head of indirect tax at PricewaterhouseCoopers, and Marc Welby, the VAT partner at BDO, both point out that some businesses are exempt from VAT, such as banks, charities and certain public sector businesses, and they will be hit by not being able to recoup extra VAT costs on expenditures, for example on accountancy and legal fees. So this is an additional charge on certain key businesses and on charities.

David Smith, chairman of the Shadow Monetary Policy Committee, a group of independent economists, said that the move would increase unemployment by 235,000 over the next decade and reduce GDP by 1.4% over the same period. GDP forecasts have already been downgraded in the last Office for Budget Responsibility report. I am desperately hoping that that is wrong and the Government are right, but I fear the worst, and we may see a detrimental impact on GDP growth as a consequence of the rise. It is also warned that the job losses will put a permanent dent in the living standards of many in this country.

Peter Jenkins of the Charity Tax Group, representing more than 400 leading charities, said that the VAT increase was disastrous for charities, resulting in a bill of £150 million for irrecoverable VAT at a time when the Government—I understand why they are doing this—are asking the charitable sector to take on some or many of the roles currently undertaken by public bodies, local authorities and the state generally. When the Government are trying to encourage the transfer of responsibility and work from the public sector to the charitable sector, it seems extraordinary that with the VAT rise they will at a stroke place the charitable sector with an additional £150 million bill.

4.45 pm

Dr John Pugh (Southport) (LD): The hon. Gentleman is making a big thing about VAT being 20%. It has been 17.5% for as long as he and I have been in Parliament, and it has been accepted by hon. Members that priority is sometimes given—*[Interruption.]* Well, except for when it was reduced for a very short period and put back up again. In 2007, Labour Members gave priority to cutting income tax. Can the hon. Gentleman refresh our memories on his record in calling for a reduction in VAT when it was 17.5%, because presumably, it must have had some of the pernicious effects he is talking about now?

Stewart Hosie: I will be delighted to search back in *Hansard* and give the hon. Gentleman chapter and verse on what I have done in relation to VAT. The bottom line is that we have a 2.5% rise now, designed as a political choice to tackle a deficit over a fixed term, that is the wrong strategy to begin with. However, this is symptomatic of that strategy and emblematic of the problem, and as I shall come on to say, in the end it will lead to the poorest in the country paying the highest price for the political choices that this coalition is making.

Dr Pugh: Is the hon. Gentleman saying that 17.5% would not have made a difference—that it was not regressive and would not have hit exactly the same groups? If it was regressive, why did he not do something about it?

Stewart Hosie: I would have been absolutely delighted to be in government and to have a progressive tax system that helped ordinary people and stimulated business growth, as we in my party have done in the Scottish Government. We have reduced business rates to grow local businesses, and frozen the council tax for three full years to help local people. However, we are now faced with the consequences of a coalition agreement that will see the VAT rise hit the poorest the hardest. On balance, the record of my party in government in Scotland will be viewed far more favourably than the VAT increase introduced by the Liberals and the Tories in this Westminster coalition. However, I am being distracted from my amendment; that is the Liberals' fault, as well.

I was making the serious point that this is an additional £150 million bombshell tax on charities, but there is also the additional cost to the public sector generally. The health service alone in Scotland will now have to find £26 million from its budget in order to pay the VAT bill. At a time when all of us, presumably, want to protect the front line—the prison service and the police in England, Wales and Northern Ireland; the teachers; the nurses; the social workers: indeed, every public body and all the people who do the work—this Government, backed by the Liberals, are forcing those public bodies to pay that hard-earned cash to the Treasury instead of ensuring continued investment in and payment to the front line. That is a ridiculous position to find ourselves in.

In economic terms, this makes no sense. The British Retail Consortium described the rise as "disappointing". I said on Second Reading that that was something of an understatement. It went on to say:

"We didn't want a VAT increase. It'll hit jobs."

Simon Newark of UHY Hacker Young warned that the rise could push up prices on the high street by about 2%, which could have a significant impact on inflation. He went on to warn:

"Higher inflation could trigger interest rises, risking the spectre of the double dip recession."

Others were warning that the rise in VAT will exacerbate cash-flow problems.

I said at the beginning of my remarks that the poorest will be hit three times harder than the richest. Some estimates have suggested that those earning under £14,200 will be hit six times harder than those at the top of the pay scale, earning more than £49,700. I concede that that estimate may be at the far end of the scale, but the point is that this VAT rise is going to hit those on low and modest earnings, and without earnings, extremely hard.

Is it not the case that this VAT rise also increases the incentive for people to operate in the shadow or cash economy, where income tax and national insurance contributions are not paid, and exacerbates the yield issue for the Government?

Mr Mike Weir (Angus) (SNP): Does my hon. Friend recognise that there is also a disparity in the areas that will be worst hit? In rural areas, where most of the

[Mr Mike Weir]

goods come in by road, the increase in VAT on fuel will hit disproportionately hard and will have an even bigger impact on people on low incomes or no income.

Stewart Hosie: It is actually worse than that. Goods of all sorts tend to be dearer in rural areas to begin with, the VAT is added to that price and so more VAT, in cash terms, is paid on the purchase, or the sale, of the same item in a rural part of the country than in a competitive city centre.

Then we must consider the fuel situation, which is extraordinary because VAT is paid on top of duty. This Government are keeping the three duty rises of the previous Government, and each duty rise will also have additional VAT at 20% on top flowing its way to the Exchequer. My hon. Friend the Member for Na h-Eileanan an Iar (Mr MacNeil), like all my hon. Friends, is right to say that in remote and rural areas, in particular, this is an umpteen-level whammy, as the VAT goes on top of every single duty rise for every single good delivered to those areas.

Of course, the effects do not just stop and start at rural areas, because bits of the local economy are also affected, particularly small service companies. Retailers and restaurants may find themselves between a rock and a hard place. As Stephen Law, president of the insolvency trade group R3, said, those businesses will

"struggle to work out what will damage their bottom line more: taking on the extra tax burden or suffering an inevitable fall in consumer demand if they pass the tax on."

When we think about the consequences and how that can damage what may already be fragile companies on local high streets, we can begin to see the very real damage that may be caused.

We can see that damage before we consider the law of unintended consequences. I thought that *The Scotsman* on 4 July was right in its article headed "Cowboy builders set to return as VAT rises". It stated:

"Stuart Brodie, head of tax at Grant Thornton in Scotland, said not only would the VAT increase fuel the black market but past trends showed it would also reduce the government's tax take."

The article quoted him as saying:

"You generally see that if you cut the tax rate, you up the tax intake as it's less attractive for businesses to avoid it and vice versa".

According to the article, he added that

"the VAT rise would act as a disincentive for many legitimate builders at the lower end of the market to grow their businesses as it would be more cost effective for them to do less work and keep turnover below the £68,000 VAT registration threshold."

He also said:

"You are putting an automatic collar on their ability to grow their business".

This is happening at a time when we need those small businesses. In Scotland 90% of people are employed by the smallest businesses. We need everyone in the small and medium-sized enterprises sector to be growing, taking on, employing and paying all the tax they possibly can.

Stephen Williams (Bristol West) (LD): The hon. Gentleman has been speaking for slightly more than 20 minutes, telling us where VAT falls and where it does not fall, and what effects an increase may have. His amendment seeks to strike out the increase completely, thereby putting a £13 billion hole in the Chancellor's Budget. I am waiting patiently to find out what the hon. Gentleman's suggestion is as to where that £13 billion will come from.

Stewart Hosie: I explained at the beginning of my speech that the whole approach of a fixed-term deficit consolidation plan was wrong. I explained the same thing to the Labour party when it was in power. I want to see a medium-term deficit consolidation plan which, over the first 12 to 15 years, will give us £50 billion of savings on Trident and its replacement—an approach in which the Liberals believed only a few short weeks ago. We have a very credible alternative plan. The amendments and the new schedules were tabled to the Fiscal Responsibility Bill, and I am sure that the hon. Gentleman remembers that debate extremely well.

My party disagrees with the approach that is being taken. This rise is the most damaging bit of the approach, because not only is it socially and economically wrong, but it disproportionately affects the poorest families. I shall quote briefly from the Save the Children report, because it sums this up best. The report states:

"Families living in poverty already pay a premium for goods and services. They are more likely to have prepayment meters, live in an area without...cash machines and have pay-as-you-go mobile phones"

and so on, and says that there is already

"a 'poverty premium' of more than £1,000 a year. Any increases in taxes that affect those on low incomes, particularly VAT, would disadvantage low income families even further."

That report is extremely well put together and incredibly credible, and I support it entirely. Its assessment of the damage that will be caused is right.

It cannot be right that the very poorest in society, who are already paying a poverty premium, should be forced to take on the bulk of the cost of a fixed-term deficit consolidation plan. In particular, the £13 billion a year take in VAT is socially irresponsible and economically damaging and, most of all, hurts those at the bottom of the pile. We will be delighted, if it is possible later today, to press amendment 13 to a vote.

Mr Liam Byrne (Birmingham, Hodge Hill) (Lab): It is a pleasure to follow the hon. Member for Dundee East (Stewart Hosie). I want to support amendments 40, 41 to 43 and 46, tabled in my name and those of my right hon. and hon. Friends, as well as to discuss clause stand part.

This is a vital debate. The debate on clause 3 touches on the core of the Budget that the Chancellor presented to the House some two weeks ago. The tax measures that sit at the heart of the Budget and that are the subject of this clause all flow from the decisions and the fiscal judgement that the Chancellor took when he presented the Budget to us. This clause is the automatic consequence of the fiscal mandate that the Chancellor set out for us a few weeks ago and, in particular, of his ambition dramatically to accelerate the time period in which we will eliminate the structural deficit in this country in order to bring forward by just one year the date at which debt as a proportion of our GDP begins to fall.

The price of accelerating that moment is, of course, £40 billion of extra tax rises and spending cuts. That has left the Chancellor—we might get a chance to

discuss this in a clause stand part debate later—reliant on Office for Budget Responsibility forecasts, which are optimistic. To give Sir Alan Budd his due, even he says that there is only a 40% chance of his forecast coming to pass next year.

In the Budget debates over the course of the last couple of weeks, we heard that the Chancellor is now pinning all his bets on an increase in business investment and in export growth. We have achieved that before, but only once since the Library started collecting figures on the subject in 1966. Of course, the Chancellor is relying on that happy coincidence of business investment growth and export growth in every one of the next three or four years. It is fair to say that most people would not quite bet on such an outcome coming to pass, but rather than seeking to stimulate domestic demand and to create better conditions for business investment in the UK domestic economy, the Chancellor has instead chosen to give consumption the biggest whack possible and to introduce a consumption tax. Indeed, the hit to our growth is so severe that buried in the tables at the back of the Red Book we learn that an extra £9 billion of tax increases are required simply to make good the loss of growth and the loss of jobs.

Dr Pugh: I know that the right hon. Gentleman is a man of enormous candour and frankness and we also know that the previous Chancellor wished to raise VAT to 19% but was overruled by the then Prime Minister. Which side did the right hon. Gentleman take in that argument? Did he think that the previous Chancellor was correct or did he think that the Prime Minister was correct? What advice did he offer?

5 pm

Mr Byrne: The hon. Gentleman knows that the Chancellor is a member of the Cabinet and, as in all Cabinets—I am sure this is true of the Cabinet today—the then Chancellor was subject to the collective responsibility that we all shared. The judgment that he reached was his final judgment, and that was the judgment that he presented in the March Budget.

I want to touch on three aspects of the debate. If I may, I will start with amendments 41 to 43, the purpose of which is quite straightforward: they seek to make good the fact that there is no mandate for the clause. I do not think that either Government party could truly claim to have solicited from voters any ringing endorsement for clause 3. If anything, in their hearts, they could assume that the public voted against the subject of the clause. Today's debate is important for Parliament and for the public, and I certainly hope that we will not be subjected again to the spectacle of the Government Chief Whip, who is not in his place, seeking to force a closure motion on a Finance Bill debate. Over the centuries, nothing has prevented Parliament from debating the wisdom of the Executive's attempts to tax the people of the country, and it would be unfortunate, particularly for the Conservative party, which prides itself on being a party of tradition, if the Chief Whip were single-handedly to put one of our most cherished traditions in the bin.

The Temporary Chair (Mr Jim Hood): Order. May I comfort the right hon. Gentleman by saying that a temporary Chair cannot accept a closure motion in Committee?

Mr Byrne: I am greatly reassured by that, Mr Hood, as I was worried that the Chief Whip would again, later this evening, detect a certain exuberance or failing of stamina among some of those in his pastoral care.

The first group of amendments has a very simple purpose. As the clause is a measure with no mandate, it is surely important for hon. and right hon. Members present not just to vote for it in the dark. Surely, we have a responsibility, as legislators, to ensure that we genuinely understand the impact of the VAT increase on the people whom we are here to represent. It is perfectly possible that even when that clarity has been acquired, the Government will say that they want to press ahead with the measure come what may, but we should study how different groups will be hurt by the VAT increase. Amendments 41 to 43 ask the Treasury to prepare a report on the impact of the rise in the standard rate of VAT on pensioners, children and child poverty, inequality, the bottom 20% of households by income, charities, the informal economy and the black market. Under the amendments, if those reports are not completed, the increase in the standard rate of VAT would not occur until 4 January 2012.

The purpose of the amendments is perfectly straightforward. We know that there are more Finance Bills in the pipeline, some of which might arrive in the House fairly soon after the summer recess, but the House will want to be able to press the Government—from both sides, I hope—on the need to include in future Finance Bills measures to compensate those who have been hit particularly hard by the increase in VAT should it arrive successfully on the statute books this afternoon. The reports are enormously important because the public were denied a debate, during the election, about what protections should be put in place. Indeed, they could be forgiven for believing that no party intended to increase VAT.

George Freeman (Mid Norfolk) (Con): The right hon. Gentleman has said that the Government do not have any mandate to change the VAT rate, but did not he give us a mandate when he left a note saying that he was sorry to tell us that there was no money left? He never said that during the general election campaign.

Mr Byrne: For the hon. Gentleman to begin quoting private correspondence, even that written in bad taste and in jest, is particularly inappropriate in a Finance Bill debate on a £19 billion tax increase of which his constituents will pay part. If that is the strength of his contribution this afternoon, I think that they will be disappointed. I was about to say that the Deputy Prime Minister was among those who gave the public the impression that there was not a plan to increase VAT. He said on 8 April:

"Our plans do not require a rise in VAT. The Tory plans do. Their tax promises on marriage and jobs may sound appealing"—

appealing to him, I think he meant—

"But they come with a secret VAT bombshell close behind."

There was, of course, a nice poster to go with the quotation, which we talked about last week. I was one of those who were lucky enough to get a copy of the poster before the Deputy Prime Minister took it off his website last Tuesday night—it is good to note that at least they were not all in the bar. The poster was clear. It said:

"Tory VAT bombshell. You'd pay £389 more a year in VAT under the Conservatives."

[Mr Byrne]

The Deputy Prime Minister's assertion, however, that no rise in VAT was needed in the Liberal Democrat plans found its echo in words from the right hon. Member for Tatton (Mr Osborne), who is at ECOFIN today. He told *The Times* on 10 April:

"We have no plans to increase VAT."

Jo Swinson: The right hon. Gentleman is talking about the election campaign and what was said about VAT. Does he accept that during the televised Chancellors' debate the Labour, Conservative and Liberal Democrat spokespeople refused to rule out any future rise in VAT, and the then Labour Chancellor, we learn from Lord Mandelson's memoirs, was planning to raise VAT to 19% in any event?

Mr Byrne: I know that the hon. Lady is not trying to run away from this debate, because she has been writing to colleagues in Scotland and including in her letters the immortal sentence, "The increase in VAT did not feature in any of my election publicity." She would have to accept therefore that the impression given by both the Deputy Prime Minister and the Chancellor in the words that I have just read out would conjure up in the minds of voters the idea that there was no plan for a hike in VAT.

The point that I am making this afternoon is that because that illusion was created, rightly or wrongly, by the Conservative and Liberal Democrat parties, the public did not get a chance to think about the kind of protections that would be needed. That is why the amendments call for reports to be laid before the House of Commons.

Mrs Anne McGuire (Stirling) (Lab): I congratulate my right hon. Friend on illustrating the unequivocal nature of the comments made by the leaders of the Conservative and Liberal Democrat parties about any potential increase in VAT. Does that not make it clear that this House deserves the impact study for which the amendments call? The Conservatives and Liberal Democrats were not wishy-washy about it; they were unequivocal all the way through. We deserve the impact study that my right hon. Friend calls for.

Mr Byrne: My right hon. Friend puts it rather well. My point is that, because individuals did not rule things out categorically in the Chancellors' debate and other debates, the hon. Member for East Dunbartonshire (Jo Swinson) should accept that the impression was given that a rise in VAT was not imminent. Politics aside, I hope that she accepts that the public were not given much incentive to ask us, if a VAT increase did come down the tracks fairly quickly after the election, what protections we would put in place. That is why the amendments are so important; they seek to solicit from the Government a detailed study of the impacts of the VAT rise so that in future Finance Bills we can ensure that, where needed, people are protected from the egregious consequences of this change.

Andrew George (St Ives) (LD): It would have been nice if the Labour Government had undertaken impact studies of abolishing the 10p tax rate, for example. I understand that the Labour party has now learned to love Baron Mandelson, whose memoirs are now published for all to see. It is clear from them that the shadow Chancellor had been contemplating increasing VAT to 18% or 19% in advance of the general election. Baron Mandelson acknowledges that this was a hard choice, one that he was impressed by. In those circumstances, does the shadow Chief Secretary accept that sometimes it is better to leave the hard choices until after an election, and perhaps that was in the back of the minds of the now Prime Minister and Chancellor?

Mr Byrne: That is a very subtle argument. I think I just about followed the hon. Gentleman step by step and link by link, but cutting to the chase I hope the point we can agree on is that the public were not given much incentive to ask of us, at hustings or elsewhere, "If there were VAT increases, what would you do to protect different groups?" Given the fact that we all know there are future finance Bills to come, possibly in short order, it is important that we try to understand the real impact of the VAT increase, especially on the groups I have listed in my amendment, so that we can ask the Government to bring in protection for them.

Mr MacNeil: In the light of what is reported to be in Baron Mandelson's memoirs, may I check that the right hon. Gentleman is planning to support amendment 13 and that he is still against a rise in VAT from 17.5 to 20% and will vote to ensure that we keep VAT at 17.5%?

Mr Byrne: If the hon. Gentleman will forgive me, I will reveal my hand on our voting strategy slightly later on in the debate.

The point is clear. We are seeking from the Government a number of protections to ensure that the people we think will be hit by VAT are not hit by it. If our amendments are not successful, we shall of course oppose the clause.

Mr MacNeil: We have just heard Liberal Democrats say that before a vote we should tell the public about the difficult choices. Will we know about the difficult choice the Labour party is making before the vote tonight? What are Labour Members planning to do? Will they support amendment 13 or not?

Mr Byrne: I am now tempted to keep the hon. Gentleman in suspense for a little longer. I hope he will bear with me.

I was making the point that if the Committee does not agree to support the amendments and does not agree that we should make reports and study the impact, it will be tantamount to our saying that we do not care how VAT will hit different groups, but I know that there are people in the Government, and Members in the House, who do care. They worry about the impact of VAT because they, like Labour Members, came into politics to try to make this country a fairer and more prosperous place to live in. The reports we are asking for are all the more urgent because evidence has emerged over the last couple of weeks from the Government and elsewhere that VAT increases are both unfair and regressive.

There was the now infamous graph on page 66 of the Red Book, to which the Economic Secretary referred in questions earlier this afternoon. The graph purported to show that the Budget was fine—the very model of progressive politics. Only after interrogation did it emerge that the picture looked half decent only because it incorporated Labour measures and did not include the full extent of the welfare cuts that await the country in years to come; indeed, just a third of those welfare cuts were put into the picture, so unsurprisingly, it was flattering.

The best arguments for the reports we are asking for were made not by the Economic Secretary or by me, but by the Prime Minister and the Deputy Prime Minister. During the election the Prime Minister said that he could "absolutely promise" that VAT is regressive. He said that

"you could try, as you say, put it on VAT, sales tax, but again if you look at the effect of sales tax, it's very regressive, it hits the poorest the hardest. It does, I absolutely promise you."

That is what the Prime Minister said at one of his popular Cameron-direct events in Exeter in May.

5.15 pm

The Deputy Prime Minister echoed that view, and also said that raising VAT would be regressive and penalise the poor. On "Today" on 7 April he said,

"you clearly cannot write Budgets in the future"—

echoing the point made by the hon. Member for East Dunbartonshire—

"but what you can say is that the only way you can avoid a huge hike in VAT, which let's remember is a regressive tax, is by making sure that you take some of the decisions that we've done".

I am not quite sure what those decisions were.

Of course, there are also the comments by the hon. Member for Bermondsey and Old Southwark (Simon Hughes), who is not with us this afternoon but has been very eloquent on this subject in public and in private. He told "The Daily Politics" on 15 June:

"I hope we don't have a VAT increase because it is the most regressive form of tax, it penalises the poor at the same rate as the rich".

The views expressed by the Prime Minister, the Deputy Prime Minister and the deputy leader of the Liberal Democrats have all echoed the opinion that has been offered to us in the House by a range of experts. The National Institute of Economic and Social Research said in its report of 21 June that VAT rises do more harm than other tax rises would. The Institute for Fiscal Studies said that a VAT rise will have a bigger impact on those with least money. I think it said that the poorest 10% of households would lose twice as much as a percentage of their income as the richest 10%. Even the Treasury's own figures, released in answer to a parliamentary question earlier in the year, show that the poorest households are affected three times as much as the richest by changes in VAT.

So the leadership of the new Government was very clear about the impact of VAT rises, and given this silence during the election and the risks of the proposed clause 3, I think the House needs to know what the truth really is, and we need to know what measures we should be demanding on behalf of our constituents in future Finance Bills to soften the blow.

Amendment 46 seeks to focus this debate on one group of people in particular, but before I address that I give way.

Charlie Elphicke (Dover) (Con): I should like to press the right hon. Gentleman on the plans that Baron Mandelson referred to. If the shadow Chancellor had got his way, the shadow Chief Secretary would have been implementing those plans. Can the shadow Chief Secretary confirm to the House whether he called for such a report to be produced as part of the preparatory measures for the March Budget?

Mr Byrne: I know the hon. Member is new to the House, but the report to which he refers is called the Budget, and in chapter 6 of the March 2010 Budget the plan that the Chancellor decided on is set out very clearly. He said that the deficit should be halved over the next four years and that that would require £57 billion-worth of discretionary action. That would require £19 billion of tax increases, of which broadly half came through an increase in the national insurance rate, some of which the Conservative party has kept. About £18 billion of savings would come through reducing capital expenditure as a share of our economy, from the 3.5% which it hit in order to fight back against the recession, down to about 1.25% of GDP in a couple of years' time. That is, by the way, still twice the level that we inherited back in 1996-97. And on top of that £18 billion in winding down capital spending, we then set out very clearly £20 billion of savings to current expenditure. The hon. Member will recall that £4.5 billion of savings were to be achieved by holding down public sector pay, of which £1 billion would be gained through reform of public sector pensions by 2012, £5 billion by cuts to a range of lower-priority programmes across Government, and about £11 billion of savings were to be gained by revolutionising the way that Whitehall conducts its business. So there is a very clear plan set out in chapter 6 of that Budget—it is only 20 pages; I recommend it to the hon. Member if he has not read it. But why not have the debate now?

Mr David Burrowes (Enfield, Southgate) (Con): Not being so new to the House, I am aware, obviously, of the reports today in *The Times* revealing that the shadow Chancellor was wishing to increase VAT to 18%. Can the right hon. Gentleman confirm, in relation to the pre-Budget report stage in November, whether, if the shadow Chancellor had had his way to increase VAT to that level, a report such as the one that is proposed in amendment 46 would have come to pass?

Mr Byrne: Happily, the question is hypothetical, because the then Chancellor reached a decision on the right package of measures needed to halve the deficit over the next four years. The hon. Gentleman's problem is that the Conservative party concluded that it needed to bring forward by a year the date at which debt as a proportion of GDP needs to start to fall. Therefore, another £40 billion in tax rises and spending cuts are needed. The only way to secure that is to take an enormous risk by whacking domestic consumption with a regressive tax. So he must contend with a question of economics and one of fairness. *[Interruption.]* He says from a sedentary position that it is a question of leadership, but the art of fairness is integral to the effective leadership

[Mr Byrne]

of this country. That is what his constituents would expect, and it is why I hope that he will support me in these amendments to carry out a study of the impact of the new tax, so that we can understand how to remedy the problem in the next Finance Bill.

Rachel Reeves (Leeds West) (Lab): Unlike Government Members, I plan to ask about the amendment, rather than talking about reports in *The Times* today. Will my right hon. Friend confirm that the measures proposed by the former Chancellor of the Exchequer in the Budget in March would have reduced the incomes of the top 10% of earners by 7% and those of the bottom 10% of earners by 0%, compared with the Budget proposed by the current Chancellor that reduces the income of the top 10% by 0.7% but the bottom 10% by 2.6%? So the work that—

The Temporary Chair (Mr Jim Hood): Order. The intervention is too long.

Mr Byrne: My hon. Friend was making an important point, and she is absolutely right. We also said very clearly that more than half of the £19 billion in taxes that we proposed to raise—a measure not completely different from the figure that the Government are seeking to raise—should be paid for by the top 2% of earners. I have not yet seen a similar analysis produced by the Government.

Mrs McGuire: Would my right hon. Friend care to put on the record how many times a Labour Government increased VAT? Would he like to remind the House that a Labour Government reduced VAT on two occasions: first, when we came to power, when we reduced it on utility bills; and secondly, when we did so as part of our fiscal easing during the current recession?

Mr Byrne: Again, my right hon. Friend is absolutely right. One reason why we have always approached VAT in the manner that she has described is that we know that, as a flat tax, it is regressive.

Mark Durkan (Foyle) (SDLP): Does the shadow Chief Secretary recall that, on the day of the Budget, the Government also published their paper, "Tax policy making: a new approach", which said at paragraph 3.10:

"There is a common consensus that Parliament should have a stronger and more effective role in scrutinising tax legislation?"

At paragraph 3.13, it said that the Government

"will introduce a tailored Tax Impact Assessment, in place of the current regulatory Impact Assessment used elsewhere in government."

At paragraph 3.17, it said:

"the Government will consider greater use of sunset clauses or a trigger for an evaluation in legislation."

On that basis, should the Government not accept a number of amendments that the right hon. Gentleman is speaking to? I will certainly support amendment 13, although he may want to keep his counsel on that. For consistency's sake, should the Government not accept some of these amendments if the policy statement that they issued on the day of the Budget is to mean anything?

Mr Byrne: I am grateful to the hon. Gentleman, who has exposed my utter lack of originality. This position is not uniquely adopted by Opposition Members. Indeed, part of the inspiration for our amendments is the amendment tabled to the Budget resolutions by the hon. Member for St Ives (Andrew George). There is a consensus that, over the years to come, we want the institutions that help to govern our macro-economic policy to be as strong and robust as possible. That is why the shadow Chancellor has welcomed the initiative of the Office for Budget Responsibility, but put on the record our ambition to ensure that it is truly as independent as possible. That is why it is important that there is no question about its conduct, the publication of its reports and the synchronisation of its reports with Prime Minister's Question Time and so on. We want Parliament to take the lead role in appointing the OBR's new leadership, and we want also to ensure that financial, tax and economic policy is conducted as transparently as possible. That was the instinct behind the creation of the code for fiscal stability many years ago, and we need to carry on the work of reform so that we truly strengthen the role of this House in holding economic policy to account.

The purpose of clause 6 is to seek to protect a group of people who are very important to all Members—our pensioners and retired citizens. Ultimately, the reason why Labour decided to raise national insurance instead of VAT was a concern for fairness, and we knew in particular that those on fixed incomes, such as pensions, would struggle most when faced with sharply rising prices. Today, I am afraid, we hear that pensioners could face an £8 billion VAT bill during the course of this Parliament.

When the Budget was presented, we heard a little about the protections that were already being put in place, but on closer inspection it turns out that pensioners will be hit by different changes each and every year. Amendment 46 would therefore require the Treasury to prepare a report on the impact of the increase in standard rate VAT before any further Finance Bill were brought before the House in the current Session. In that way, right hon. and hon. Members would be able to insist upon proper remedies for pensioners to protect them from VAT.

It is worth setting out what the Library has published. The overall effect of the Government's proposed VAT hike is that the revenue raised will increase from between £2.8 billion to £2.9 billion in the current financial year to £12.1 billion, £12.5 billion, £12.9 billion and £13.5 billion over the course of this Parliament. Using the Office for National Statistics' study of pensioners' share of spending, the Library estimates that this year—so, before pensions rise in April—Britain's pensioners will pay £422 million of extra VAT. That figure will then rise to £1.8 billion, £1.9 billion, £2 billion and £2 billion by the end of the Parliament. I think the House will agree that that is a serious hit on pensioners' fixed incomes.

Charlie Elphicke: As the right hon. Gentleman points out with his customary candour, I am new to the House. Will he therefore help by pointing me in the direction of such a report when the 10p rate was abolished?

Mr Byrne *rose—*

Mr Tom Watson (West Bromwich East) (Lab): The Library.

Mr Byrne: My hon. Friend, from a sedentary position, is absolutely right. The Library produced exactly the kind of report that I have just set out, and—*[Interruption.]* In the spirit of candour with which the question was asked, I note that there were serious mistakes with the way in which the 10p rate was changed, and my right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown), the former Prime Minister, has been very open about that. That is precisely why we need to learn lessons about the way in which tax policy and economic policy is conducted.

Generally the rule is, the more transparency, the better, so I hope that the hon. Gentleman will support our amendments, because the transparency at which he hints reveals a further problem in 2011. The Library states that in 2008 the typical household in the retired category spent £353.70 a week, and that the amount would rise to £358 after the VAT increase. That represents a rise in the VAT bill of about £4.30 a week. However, the rise per week in the basic state pension—delivered by the triple lock that was so trumpeted—is less than the increased shopping bill that pensioners will pay.

I should also like to make a point about the following year, 2012, because the Chancellor did not present matters very clearly when he announced the Budget.

Analysis shows that the Treasury's switch to using the lower-rising consumer prices index instead of the retail prices index to measure price rises means that pensioners' income will fall behind VAT-fuelled price rises in 2012. According to table C2 on page 84 of the Red Book, in 2012 RPI will be 3.2%, average earnings growth will be 2.3%, and CPI will be 1.9%. We can therefore assume that under the triple lock system, the pension increase will be only 2.5%—lower than VAT-fuelled RPI, which will be 3.2%. The increase in pensions will appear to fall behind the increase in prices.

5.30 pm

Jacob Rees-Mogg (North East Somerset) (Con): I wonder whether the right hon. Gentleman has paid attention to the report by the Office for National Statistics which says that CPI includes a higher proportion of the VAT increase than RPI because the CPI basket contains more goods on which VAT is paid.

Mr Byrne: That may or may not be the case. My point is that the Treasury has decided, without really publicising the fact, to switch the way that it measures price rises. A great fanfare was attached to the notion of the triple lock and raising pensions by prices, by average earnings or by 2.5%, whichever was higher. Somehow missing from that presentation, however, was an acknowledgment that RPI would be higher than any three of those measures in 2012, with the price being paid by Britain's pensioners.

Alec Shelbrooke: A moment ago, the right hon. Gentleman described the effect that the increase in VAT would have on the increase in pensions. Does that include the freeze on council tax that this Government are bringing in, following huge rises in previous years, with rises in pensions being relatively small?

Mr Byrne: I think that once local authorities are confronted with 25% to 40% budget cuts later this year and we face, as Age UK has warned, the possible collapse of the social care system, we will see whether the freeze in council tax is truly delivered.

Even towards the end of this Parliament, the hits to pensioners will just keep coming. The Library assesses that by 2013, pensioners could face cuts to disability living allowance benefits totalling an extraordinary £350 million a year. That is alongside cuts to housing benefit and the lower uprating of public service pensions and other benefits, which are now also linked to the lower-rising CPI rather than RPI. I accept that reforms to DLA are not yet clear, but we have to accept that Britain's pensioners face a new risk that has not yet been explained to this House. One million people of pension age are on DLA—they represent 34% of DLA recipients of all ages—so it is a risk that we in this House should demand we understand before changes are made.

Mr Wayne David (Caerphilly) (Lab): Does my right hon. Friend accept that senior citizens will also be badly hit by the disproportionate effect on them of the reductions in public services?

Mr Byrne: Precisely. That is the point that Age UK made in its response to the Budget. It issued a stark warning that thousands of older people's lives would be at risk from even a 25% cut in local authority budgets; now we are warned by the Chief Secretary, with a casual disregard for the seriousness of the situation, that there could be cuts of 40%.

Looking around here this afternoon, I can see many right hon. and hon. Members who came into politics to champion the cause of fairness and who work extremely hard on behalf of pensioners in this country and in their own communities. I very much respect the campaign work that has been conducted by Members in all parts of the House, not just those from my own party. It is a cause that has been championed, in particular, by those on the Lib Dem Benches.

I have not presented to the House any definitive statement on how pensioners will be hit by VAT. I have not conducted some kind of distributional impact analysis using a Treasury dynamic model of the interrelationship between the basic state pension and the pension credit uprating, but I think the Government should. If they are relaxed about the matter and truly believe that they have compensated pensioners fully for the rise in prices for which they are legislating, they should put the matter beyond doubt. They should show the House and the public beyond that the very people to whom we owe so much are protected from a measure that they did not vote for and that threatens the standard of life that they worked so hard and long to secure.

The final amendments that I should like to speak to are amendments 40 and 44, which are probing amendments. We want to give the Government the opportunity this afternoon to put on record their intention to rule out the removal of zero-rating VAT status on any further items. Amendment 40 would require the Treasury to lay a report on the scope of the standard rate—

The Temporary Chair (Mr Jim Hood): Order. May I advise the right hon. Gentleman that amendment 44 has not been selected?

Mr Byrne: I am grateful, Mr Hood. I will therefore confine my remarks to amendment 40, which asks the Treasury to lay a report on the scope of the standard

[Mr Byrne]

rate before the Commons before the rise takes effect on 4 January 2011. The reason for our concern is that in the past, the Deputy Prime Minister has said that it is more liberal to tax people on their income than on their work. That automatically raises questions about whether the scope of VAT as currently set out by the Government is set to widen and widen.

We have a few assurances on the record. We learned from those on the Treasury Bench this afternoon that Ministers will not extend VAT to hardback books or newspapers, which is very welcome, but there are of course a range of goods that are currently zero-rated, including food, clothing, footwear, transport, talking books for the blind and the disabled, sewerage and water, building construction, protected buildings, caravans and houseboats, drugs, medicines and aid for the disabled, tax-free shops and some charitable contributions. We should like to hear more from the Government about whether there are any plans, either now or later on in the Parliament, to withdraw what is currently zero-rated. We want to give them the opportunity to put that beyond doubt.

This is an important debate. The VAT increase is a measure without a mandate and there is therefore an obligation on Members to ensure that the people who need to be protected are protected by the votes that are taken this afternoon.

Andrew George: I rise to address this group of amendments, or at least the two in my name. May I seek your advice, Mr Hood, about whether I can move amendment 55 and refer to amendment 54?

The Temporary Chair: Order. We are considering the amendments in this group, but the hon. Gentleman is not in a position to move his amendment now. However, he can discuss the amendments that we are considering.

Andrew George: I am grateful to you, Mr Hood, for your guidance.

I should like to concentrate my brief remarks in this debate on amendment 55, which is in my name. It is similar to amendment 22, tabled by the hon. Member for Nottingham East (Chris Leslie), which introduces the concept of a sunset clause. I am particularly grateful to the hon. Member for Foyle (Mark Durkan) for highlighting the approach taken by the Treasury in bringing forward tax policy, and particularly for his reference to paragraph 3.17 of the Treasury document, which states that

"the Government will consider greater use of sunset clauses or a trigger for an evaluation in legislation."

I welcome the Government's approach in that respect.

This is an emergency Budget with emergency measures being brought forward, one of the most dramatic of which, and the one that has perhaps been the focus of more significant debate than any other, is on VAT. In those circumstances, it is reasonable to argue that an emergency measure should be subject to some time-limiting once the emergency can be considered to have passed. I have made my assessment on the basis of no special ability beyond that of anyone else in the Chamber—although perhaps the hon. Member for Nottingham East has greater insight into how long emergencies last. My amendment 55 would provide for a two-year emergency period. I think it a reasonable assumption that the provision should at least contain a sunset clause, so that the Government can assess the impact of the measure on the economy, and recognise that it is an emergency measure brought forward in an emergency Budget in an emergency situation, and that we should have a knife and a time after which the situation can be reviewed.

Mark Durkan: Does the hon. Gentleman recognise that the two-year period, which he is taking as his rule of thumb for an emergency, just happens to be the same period covered by the questionable tables the Government have issued in the Red Book to try to assure people of the equitable impact of the Budget measures?

Andrew George: I suppose the use of the adjective "questionable" is a matter for debate, and no doubt Treasury Ministers would wish to contradict it. I do not feel as qualified as the hon. Gentleman to comment on this subject. However, I try to take the best available evidence, which includes Treasury assessments. I am sure that the shadow Chief Secretary would acknowledge that the Treasury is a sound source for some of these judgments.

I ask the Exchequer Secretary to address how the Government will review this proposal. Is it genuinely the Government's intention to keep the VAT rise as a permanent measure? If they do not propose to insist that the 20% rate become a permanent measure, by what means will they and Parliament have the opportunity to review it? Others more articulate than I will be able address the impacts of the VAT rise on families, charities, the building industry, rural motorists and others. However, we have debated those already, and I do not feel it necessary to go through them once more.

Mr MacNeil: Will the hon. Gentleman give way?

Andrew George: I mentioned rural motorists—I strayed mistakenly—so I have a feeling this intervention will be about them. It might be on another issue though.

Mr MacNeil: The hon. Gentleman might be expecting an intervention on the rural fuel derogation that I am expecting to come from the Treasury before 4 January 2011, but alas my intervention is not on that subject. Rather, I would like to know whether the hon. Gentleman, as a Liberal Democrat Member, is serving notice on his Conservative counterparts that the VAT poll tax will end in two years.

Andrew George: It is not up to me, as one Member of Parliament, to serve notice. I do not have the power to change this; I am simply raising issues with Treasury Ministers that I hope they will take into account. I hope they will at least address the emergency nature of the Budget and of the measures being implemented. I would also like them to address the permanency—or non-permanency—of the measures. If they are likely to be permanent, can we at least have an explanation of how that can be justified?

5.45 pm

In seeking to raise not just VAT but so many other issues in the Budget, such as the banking levy and capital gains tax, I have often been cautioned not to disaggregate

one element of the Budget from the rest, on the grounds that we cannot unpick a Budget because the whole thing will implode, for some reason that I have never entirely understood—perhaps the Exchequer Secretary could explain it to me. However, given how we in this House have to scrutinise such matters, it is inevitable that we should have to pick at particular aspects of the Budget, particularly bearing in mind the fact that this Finance Bill brings forward only limited aspects of the Budget. There will be a further Finance Bill later in the year, while essential measures in the Budget will form part of the comprehensive spending review, so bits of it are all over the place.

If my right hon. and hon. Friends in the Treasury and elsewhere are concerned that the impact of my probing inquiries and questions is effectively to unpick and therefore undermine the Budget, I apologise. However, I would like the Exchequer Secretary to address himself to the issue that I have raised and to the argument of those interrelationships, because at the end of the day—I have made this view clear in my contributions to this debate, and I know that many others across the House share it—of all the measures to restore the public finances, a VAT rise, it seems to me, has to be among the least welcome.

Sammy Wilson (East Antrim) (DUP): Is not the hon. Gentleman's point an illustration of the Government's approach in the Budget? The purpose of the Budget as a whole is to restore confidence, but it will do so only if harsh measures are implemented right across the board. Therefore, trying to unpick any of those harsh measures will undermine that confidence, as well as the objective that the Government have set themselves, which is to satisfy the financial markets. That is the difficulty with the Government's approach: it is all or nothing, because the measures have to be harsh enough to satisfy the financial markets.

Andrew George: I am a novice in Finance Bill debates and have not generally spoken in them in the past—I tend to go off and do international development, DEFRA issues and housing. I therefore do not necessarily feel qualified to make judgments about what type of measures—harsh or otherwise—are likely to have the most satisfactory impact on the markets. Others in the House will perhaps have more experience of how to satisfy the markets. My starting point is an assumption that, in its entirety, the bundle of proposed tax rises and public spending cuts in the Budget is at about the right level. The question that we should be debating is: have we got the measures right within that overall figure? That brings us to whether we have addressed the option of a VAT rise as opposed to, for example, an increase in the banking levy, or a further increase in capital gains tax or corporation tax.

Mrs McGuire: I congratulate the hon. Gentleman on the logic of his case. He has pinned the Government down on their branding of the Budget as an emergency Budget. If it is an emergency Budget, there should be room for manoeuvre and time-limiting. Perhaps the mirror image of this proposal is the reduction in VAT that the previous Government put in place to deal with a particular set of circumstances at an early point in the recession. The hon. Gentleman might be a novice in these matters, as he said earlier, but his logic is impeccable.

Andrew George: I am grateful to the right hon. Lady for her kind words.

Obviously, it will be up to the Exchequer Secretary to ask the question that I have already asked on this issue. The fact that all political parties were clearly under a degree of political pressure before the general election has been exposed by Lord Mandelson in his diaries, which were published in the last couple of days. We must acknowledge that any rise in VAT is the result of a really tough choice—a last resort, perhaps. One message to come out of this debate must surely be that when political leaders say they will not rule something out, particularly in the lead-up to a general election, the possibility of the measure being brought in after the election is usually rather higher than many members of the public might imagine. On this issue, Labour Members must be struggling to swallow, with all that butter not melting in their mouths.

Mr Byrne: On that point, the hon. Gentleman must surely accept that a pretty comprehensive tax plan was set out in the March Budget. We were seeking to raise an extraordinary amount of money—£19 billion is not small potatoes—and we set out specifically how much would come in through national insurance increases, how much through changing the tax treatment of pension contributions, and how much through putting taxes on incomes up and keeping them up, and taxing certain incomes at the 50p rate. Some of those measures have been kept, but those were not easy decisions to make. They were difficult decisions, but they did bring in £19 billion of income to the Exchequer.

Andrew George: I acknowledge that, but of all the tough decisions that we are talking about, a VAT rise is among the toughest. It is tougher than the ones proposed by the Labour Government in their pre-election Budget. It is a truism that Budgets brought forward just before a general election are rather different from those introduced just after an election, because of the political pressures under which Governments find themselves. That is just human nature—or perhaps political nature. The decent thing for Labour Members to do would be to acknowledge that.

Mr Watson: I have more faith in the hon. Gentleman, and I hope he would have more faith in me. If he were the Chancellor of the Exchequer and he had had to sign a venal deal with the Conservatives, I do not believe he would have introduced this clause. I think there is more to him than that, and the House should give him credit for it, although I know that he has to defend the line. By the way, I would not have introduced this clause either—it is disgusting.

Andrew George: Well, I think we have all heard what the hon. Gentleman has said.

I shall move on to an amendment that I would not wish to move. Amendment 54 was tabled deliberately to encourage a debate on the different levels of VAT rise that might be considered. The thinking behind it is that, if a VAT rise is unavoidable, perhaps it could be done in such a way as to involve a basket of taxes, including the bank levy, capital gains tax and corporation tax. In that way, we might have ended up having to nudge up VAT by 0.5%. When I tabled the amendment, I had not read

[Andrew George]

The Times this morning. If I had added the words, "or 19%", I might have been able to persuade the shadow Chancellor to sign my amendment as well. I do not need to rehearse all the arguments behind this proposal, but I hope the House will reflect on it.

I asked a parliamentary question about the anticipated yield from raising VAT by various percentage points, and I received a kind response from the Exchequer Secretary on 8 July, in which he explained that a table in "HMRC's published tax ready reckoner tables...released at the time of the Budget,"—

I have to admit that I had not seen them at that point—

"shows the effects of illustrative tax changes, including the effect of changing the standard rate of VAT by 1 percentage point in each of the years 2010-11 to 2012-13. Estimates of the effect of changing the rate by different amounts can be calculated by scaling the effect of a 1 percentage point change accordingly."—[*Official Report*, 8 July 2010; Vol. 513, c. 414W.]

I am surprised that it is as simple as that, because I would have thought that at some point a VAT rise would have an impact on the yield as people purchased less.

I did some quick calculations on this. Actually, I got some assistants who are rather better than I am with these new-fangled devices called fingers to do those calculations. An increase of half a percentage point would yield £2.425 billion in 2011-12, and £2.5 billion in 2012-13. That is clearly way below the Government's estimate of the impact of the VAT rise. The ready reckoner gives figures of £12.125 billion and £12.5 billion, which suggests that it agrees with the Chancellor's estimates. I look forward to hearing the Exchequer Secretary's views on these issues.

The shadow Chief Secretary mentioned impact assessments. As he knows, I raised that issue in a previous amendment at the time of the Budget. A more thoroughgoing impact assessment than has been available thus far would be enormously helpful, and I believe that a Government should carry out such an assessment in any case when a measure is going to have a significant impact on the country as a whole. Given that the increase will not be implemented until 4 January next year, perhaps the Exchequer Secretary will agree to do some further work on this. There is a balance of opinion that suggests that the VAT increase will be more regressive than progressive. That has been debated in the Red Book and by the Institute for Fiscal Studies, as well as by other well-informed, independent organisations. I hope that the Minister will address the issue of impact assessments that the shadow Chief Secretary has quite rightly raised.

Chris Leslie (Nottingham East) (Lab/Co-op): I welcome many of the comments made by the hon. Member for St Ives (Andrew George) in speaking to his amendment 55. As he pointed out, it is not dissimilar to my amendment 22, which also suggests a sunset clause, albeit in this case for one year—essentially mirroring the fact that the previous Administration reduced VAT for the period of the economic downturn as a means of stimulating the economy for that 12-month period. It seemed a reasonable proposition to do the same now.

6 pm

There are so many issues covered in this group of amendments, and I hope hon. Members will look carefully at all of them. Before I move on to discuss some of them, I want to deal with amendment 22. The hon. Member for St Ives is right to highlight the fact that the coalition agreement referred to the greater use of sunset clauses in legislation, which would be a healthy thing particularly given the sheer impact such a massive financial change will have on the entire country. We are talking about £12 billion of tax taken from all our constituents, so at the very least we should have the opportunity to have the measure reviewed periodically by the Minister. I think that it would be appropriate to do so after a year, but after two years would be perfectly reasonable. For me, ratcheting up to a permanent 20% VAT rate is entirely unacceptable.

Sammy Wilson: Does the hon. Gentleman accept that there is an impact in Northern Ireland and in particular many of the boom towns around the border with the Irish Republic—Strabane, Newry, Enniskillen and so forth—of differential VAT rates? For an economy that is still not coming out of recession, a permanent increase in VAT will have a dramatic effect on retail jobs and investment for those towns especially.

Chris Leslie: Indeed; I have seen for myself the impact on those border areas. I am not sure that the Treasury, in applying its very blunt instrument approach to changing taxation, has given any serious consideration to these serious issues which will significantly affect communities, the retail industries and so forth.

It is necessary to reflect on whether raising VAT is the most effective way of reducing the deficit. We know that the Government have an arbitrary strategy, which is partly driven by ideology and a desire to reduce public spending as a proportion of our economy per se —disconnected entirely from the deficit and debt. They have set an arbitrary time scale and are doing it so steeply that it will affect not only public services but the taxpayer in a very harmful way.

We should not have a permanent imbalance between regressive and progressive taxation. I hope that when growth eventually returns to the economy, Treasury Ministers, Opposition spokespeople and others might be able to find better and fairer ways of raising revenue. The hon. Member for St Ives referred to the setting of the banking levy at a puny level and to giving corporation tax away to the banks. There are other sources of fairer revenue generation out there. It is not the case that Labour Members are saying no to all measures; there are alternatives, and it is crucial to bear that in mind.

I am particularly worried about the inflationary impact of the proposed change. The Government are taking a big gamble in the choices that they are making. They must be seriously hoping that the economic cycle hits successfully by the time that we move into the next calendar year, because having such a big increase in taxation at that moment could jeopardise our already fragile growth record. More than that, we are already hearing from some members of the Monetary Policy Committee and others their worries and concerns about persistent inflation. VAT changes such as this will certainly do nothing to help.

It would be good practice for Ministers generally to accept, or at least suggest, that reviews should be undertaken periodically. I shall be interested to hear what the Minister says on that point, particularly to his hon. Friend the Member for St Ives. The VAT increase is of such a scale that a re-authorisation

request of some level should be part and parcel of the measure. Ministers should from time to time have to ask for that.

I would not be surprised if the Government planned to ratchet up taxation early on in the Parliament to such a high degree—more than is necessary to satisfy the markets and so forth—so that in later years they can offer little tax give-aways and sprinkle a little bit of stardust on an unsuspecting electorate who will have forgotten about the VAT change. It is the Opposition's job to remind the general public that they will be paying through the nose for an ideologically oriented change. I therefore hope that hon. Members will see the spirit behind my amendment 22.

Mrs McGuire: Does my hon. Friend also agree that the mechanics of raising and reducing value added tax is relatively straightforward, making a sunset clause quite easy to apply? It does not have the complications of other elements of the taxation system. Frankly, the previous Labour Government proved that it was possible to adjust VAT by lowering it and then increasing it at a future date. The mechanics of collection are more straightforward than for other taxes.

Chris Leslie: Absolutely. There is a sense that this ratcheting up might be for ever. Once the so-called emergency period is over, most sane and rational people would say, "Okay, the emergency is passing, so we should reduce sales tax down to some level of normalcy", but I would not expect that from the Treasury. This is the Treasury's opportunity to grab more money from the general public and to stay at that high level. I have heard nothing from the Government to suggest that this is a temporary measure. We therefore have no choice but to table suggestions that sunset clauses are necessary and incredibly important.

Amendment 23 would retain the 17.5% rate on a certain class of goods and not raise it to 20%. I refer in particular to children's equipment—children's prams, cots, toys, high chairs, babies' bottles, children's sanitary products and teething-related goods. I declare an interest: I have a 10-month-old daughter. I am thus realising that while she is, of course, worth every penny, she is also an exceptionally expensive addition to my family. I am not complaining in any way about that, but it has brought home to me the sheer cost on families of raising youngsters.

Believe it or not, the Family and Parenting Institute has said that over a lifetime—up to the age of 21—each youngster can cost a family £200,000 to raise, which is about £800 a month. That is the institute's figure, and although I would not necessarily see its methodology I feel very much as if the expenditure is going in that direction. Even if just half that cost were VAT-able expenditure, over a lifetime the Conservative-Liberal Democrat coalition's change equates to £2,500 of extra tax per child. That is not to be sniffed at; it is a significant amount of money. It is not fair that families with young children should have to bear such a disproportionate burden of the deficit solution. As we know, the phrase "We're all in it together" does not apply to the bankers or the highest paid in society. The burden will hit those in the most difficult circumstances.

Andrew Bridgen (North West Leicestershire) (Con): Does the hon. Gentleman consider it fair that every child in this country is born with approximately £24,000-worth of debt around their neck as a result of the polices of the previous Government?

Chris Leslie: I have heard the hon. Gentleman espouse that rather spurious point before—and no doubt he will do so again. Of course, that is not a debt around their necks like a personal loan or a mortgage. It is part of the way in which we run our national accounts. Of course we will always require a level of borrowing. Perhaps the hon. Gentleman is suggesting that we should avoid the need for any borrowing whatever, but at this point in the cycle, if we are to ensure that our economy succeeds, we must have a borrowing facility. If the hon. Gentleman thinks that that is wrong, that is his own ideological position. However, I think that it would be exceptionally regressive not just to freeze child benefit for three years, withdraw the health in pregnancy grant, restrict the maternity allowance to the first child, remove the baby component of child tax credit, reverse the supplement for children aged one and two and abolish the child trust fund, but to make young people and families with children bear the VAT increase as well.

This is an extremely important and serious issue. Some areas of child-related expenditure are, of course, either zero-rated or rated at a low level. There is a drafting error in my amendment: I had originally included nappies, but on learning that they were classed as children's clothing, I withdrew the amendment. For some reason it has remained in the group, but the Minister will understand the point that I am making. There is a set of items that young families cannot do without, and I believe that alternative forms of revenue could compensate for tax on those. I seriously ask the Minister to consider making such an exemption.

The VAT increase will be very damaging in a more general sense. I worry not only about its inflationary impact, but about its recessionary impact. Given that it is equivalent to an income tax increase of about 3p, there is a serious possibility that we will end up with inflationary pressures and the return of higher interest rates. The hon. Member for Dundee East (Stewart Hosie) quoted Simon Newark of UHY Hacker Young as saying that the increase could push high street prices up by 2%, and that too is a serious issue.

The impact on those at the other end of the age scale —pensioners—is also incredibly worrying. Whether it amounts to £8 billion, less or more, it will be very significant indeed. As well as having to finance the 25% reduction in their grant levels, those in charge of public services will have to fork out for this extra cost. I am particularly worried about the effect on the NHS and local government. Public spending on councils and the police, as well as some elements of spending on education, transport, housing and the construction industry, will not be protected.

The Government's desire to opt for this most regressive of taxation options led certain City commentators, such as Ian Kernohan of Royal London Asset Management, to observe that the increase would hit all income groups particularly hard in the winter months. Although many of our constituents may at this point be oblivious to the approach of the change because other events have been in the news, there is no doubt that a winter of discontent potentially awaits the Government.

[Chris Leslie]

Charities will be hit especially hard, and I am glad that Members have tabled amendments in an attempt to relieve them of some of the burden. So much for the "big society", when so many third sector organisations are expected to bear the strain. The Government are removing public services and placing some of the burden on charities. What a gift that is!

In a wider economic context, the increase undermines much of the economic growth that may well come from the retail sector. We have heard about the particular impact on certain parts of the country near the Borders and elsewhere, but as soon as the Budget was announced, Morgan Stanley's broker analysis recommended selling stocks and shares in general retail, and buying in other areas that were exempt from VAT or in which it was minimal.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Does the hon. Gentleman agree that the increase will hit town centres particularly hard, and will drive shoppers towards large outer-market retailers which will be able to absorb the costs?

6.15 pm

Chris Leslie: There could be all sorts of perverse consequences. The ramifications have not been thought through. We know that the change is not necessary. We know that it has been driven by the Government's assumption that they must introduce it. As I have said, I believe that it has been driven first by an ideological desire to be exceptionally hair-shirted and stern with the deficit—unnecessarily, given that the markets would be entirely content with a slightly longer-profile reduction in the deficit, as long as it was being reduced—and secondly by a wish to stack up a bit of revenue for a give-away further down the line.

Whether we are talking about the effect of the VAT increase on the value of certain retail industries—I believe that shares in Halfords fell dramatically as soon as it was announced—and on big ticket sales, or about its effect across the board in terms of social and economic policy and, in particular, on those who can afford it least, it is regressive and regrettable. It should be reviewed after a year or two at the latest, and the Treasury should show leniency to those who can least afford it, especially children and young families.

Stephen Williams: We are still working out how coalition politics work. It is welcome that we have a coalition, but I have been given the task of presenting a Liberal Democrat perspective.

When I arrived in the House five years ago, I had spent 17 years in tax consultancy, both in practice and in industries. I had studied Budgets in their various forms, professionally and politically, for a very long time. I spent the whole of the last Parliament resisting becoming too deeply involved in finance because I wanted to develop other interests, but our leader, the Deputy Prime Minister, has persuaded me that this might be a good opportunity for me to reacquaint myself with my professional past. I hasten to add that I was never a VAT specialist; my specialism was direct rather than indirect taxes.

Mr Iain Wright (Hartlepool) (Lab): Will the hon. Gentleman assist the Committee by clarifying a point? Is he now the Liberal Democrat spokesman on economic affairs? Is that his present position?

Stephen Williams: Not necessarily. Labour Members are currently having to adjust to being in opposition after 13 years in government. No doubt the parliamentary Labour party will set up Back-Bench committees like the Conservative party's 1922 committee. The Conservatives have a long tradition of establishing Back-Bench committees to examine different aspects of policy so that they can better advise their colleagues in government. We are having to make the same adjustment, and my role is to chair the Back-Bench Liberal Democrat committee that deals with economic matters, including taxation and expenditure.

I am sure you will pleased to hear, Mr Hood, that I am about to deal with the amendments. Amendment 13, tabled by the hon. Member for Dundee East (Stewart Hosie), proposes that there should be no VAT increase at all. As I observed to the hon. Gentleman in an intervention at the beginning of the debate, it behoves those who say that we should not proceed with the increase to say where they will find £13 billion to fill the hole that that would blow in the Chancellor's Budget.

The hon. Gentleman responded to my intervention by saying that he would not proceed with the renewal of Trident, and I have some sympathy with him on those grounds. I think that Trident is a weapons system that the country no longer needs. However, I hold that view on defence and strategy grounds, not on expenditure grounds. In any event, the hon. Gentleman knows—as I know, and everyone in the Chamber knows—that cancelling the renewal of Trident would not save money this year or next year, and would probably save very little in the course of the present Parliament. It certainly would not defray an increase in VAT in this Budget.

Stewart Hosie: First, the entire premise of the fixed-term deficit consolidation strategy is wrong. I have already explained that, as I also did to the hon. Gentleman's colleague, the hon. Member for St Ives (Andrew George), in a previous debate, and to another of his hon. Friends in a debate before that.

On Trident, I was careful to say that over the medium term we would get the savings from the cancellation and the non-replacement. These are political choices. There would be savings almost immediately from cancellation and non-replacement, and savings of some £50 billion over the medium term—and, as I have said, the Liberals did appear at one point in the election to believe in this, before they changed their minds.

Stephen Williams: The fact is that this year any expenditure decisions we may want to make in order to have a long-term impact will not save £13 billion this year or next year. That is what we are facing now: we are facing a real emergency now as to how to tackle the deficit, and the accumulating deficit each year, that the previous Government left to us.

Stewart Hosie: I agree that we are indeed facing a deficit and a debt problem now. There is no question about that, but how to tackle it is a political choice. We are not facing a £13 billion hike in VAT because it is

unavoidable; we are facing it because the hon. Gentleman and his new pals have decided that that is the route they want to go down. It is a political choice; that is all it is.

Stephen Williams: The hon. Gentleman is absolutely right to say that the construction of a Budget involves a balance of choices; it balances what we do in public expenditure and what we do on taxation. I am very proud that the Liberal Democrat influence on this Budget has led to 800,000 people being taken out of income tax, and child tax credit being raised by £150 a year. Many more measures have also been included in the Budget as a result of the coalition relationship that has been developed.

Alec Shelbrooke: On the proposal to cancel Trident, will my hon. Friend cast some light on what impact that would have on the constituents in the affected areas in terms of job losses?

Stephen Williams: Well, I know that you are probably about to rule that out of order, Mr Hood, but—

The Temporary Chair (Mr Jim Hood): Order. The hon. Gentleman pre-empts me. We are not going down that route. I ask him to speak to the amendment.

Stephen Williams: I am not trying to dodge that question, and I understand that it is a very sensitive issue in specific geographical areas of Scotland.

Many contributions today have referred to the impact on consumers, but we do not necessarily know what that will be, because retailers construct their prices using many factors, not only the VAT rate. How they set their prices has as much to do with fraud at the till, marketing and advertising, for instance. Although there was a VAT reduction two years ago, when we did our Christmas shopping at that time many of us did not notice that it had gone down from 17.5% to 15%, because shopkeepers kept their prices the same, as they were already discounting in order to counter the recession and attract sales. Therefore, it does not necessarily follow that a VAT rise will be automatically passed on to consumers.

Rachel Reeves: Does the hon. Gentleman agree that the reduction in VAT under the Labour Government reduced revenues by just over £12 billion, so we do have quite a good idea of how much money it will bring in? Does he also agree that my constituents, who earn £16,000 on average, did notice the reduction in VAT, and that they will certainly notice the increase in VAT?

Stephen Williams: I thank the hon. Lady for her intervention, but perhaps she misunderstood the point I was making. Altering the VAT rate obviously has an impact on the wider economy and on Government finances, but claims as to which specific groups of people it would hit in particular are hard to prove in advance of the change. Many of the predictions of price increases—in rural shops in Scotland or elsewhere—may not come to pass, simply because retailers will have to take other considerations into account, such as the effect on their trade. I am sure that we can all think of retailers—such as the Fopp record store in my constituency—which set their prices at standard amounts, such as £3, £5, £7 or £10, simply to attract customers through the door. It is unlikely that they will move away from that marketing model.

Mrs McGuire: Does the hon. Gentleman accept as an authoritative commentator on the effects of VAT the Office for National Statistics, which indicated that the impact on the poorest 10% is significantly greater than the impact on the richest 10%? Is that just some piece of frippery to be thrown to one side and not to be acknowledged by a Liberal Democrat party that is somewhat embarrassed to be supporting an increase in VAT?

Stephen Williams: I can assure the right hon. Lady that I would never dismiss a statement by the ONS as a piece of political frippery. What we are trying to deal with in this debate, however, is points put forward by Members, some of which may well be pieces of frippery that we will have to counter in our discussions.

Mr Iain Wright: It is stated on page 66 of the Red Book that

> "Impacts on households from VAT account for around 1.0 per cent of net income, although this is smaller on average for the top 10 per cent of households, and greatest for the bottom 10 per cent of households."

We do know who will be hardest hit, therefore. It will be the poorest in our society, and the hon. Gentleman's Red Book says so.

Stephen Williams: We can debate this until very late tonight—and I am sure we will—but the fact is that we have to make lots of assumptions about what people will actually spend their money on, because VAT is a tax on discretionary expenditure, not on essential expenditure. It was designed to be so. That is why food, children's clothing and many other items to which the hon. Member for Nottingham East (Chris Leslie) has referred are zero-rated or exempt from the scope of VAT.

Charlie Elphicke: May I thank my hon. Friend for the efforts that he and his colleagues have made to increase the personal allowance, as that is an extremely important contribution? People in Dover and Deal whom I represent earn on average £17,000 or £18,000 a year. Does my hon. Friend agree that the effect of the VAT rise is ameliorated for the least well-off, such as those people, by the exemptions for food and children's clothes?

Stephen Williams: My hon. Friend is absolutely correct. The Budget is a balance of proposals that both coalition parties wished to put into the mix, and we have been very careful—our coalition agreement stated this—to protect the poor and vulnerable whatever we do over the next five years.

Mr David: Does the hon. Gentleman acknowledge that the Centre for Retail Research has estimated that the rise in VAT could lead to the loss of 47,000 jobs and 10,000 stores closing?

Stephen Williams: I have not read that study and I thank the hon. Gentleman for bringing it to my attention, but I repeat my earlier point: lots of considerations go into the mix in respect of the economic decisions that

[Stephen Williams]

businesses make, and VAT is not always the sole determinant. When I was a tax adviser we always said to clients that the tax decision does not wag the business dog. Taxation is one of the factors that all businesses will take into account when making decisions—such as who to employ, what to sell and how to pitch their prices—but there are many others.

My hon. Friend the Member for St Ives (Andrew George) said that his amendments were probing amendments intended to generate discussion, and they have certainly achieved that. His amendment 54 was designed to address what the impact of a smaller rise in VAT—to 18%—would be, and he gave us his answer to that. We on the Government Benches should not be afraid of having internal discussions. Although I did not participate in all the Budget debates and Finance Bill debates in the previous Parliament, many of us will fondly remember Rob Marris, who, sadly, lost his Wolverhampton seat at the election. He tabled many friendly probing amendments from the Labour Back Benches, which might sometimes have made his Front-Bench colleagues uncomfortable, but they also made a valuable contribution to debates.

Both my hon. Friend in his amendment 55 and the hon. Member for Nottingham East in his amendment 22 propose sunset clauses so that the rise in VAT—which, at least, it seems they are both contemplating as necessary—would be for a specified period. Every year we have a pre-Budget report, a Budget and a Finance Bill, so I am fairly confident that every year we will return to this topic and there will be an opportunity, as there has been under all Governments, to change the mix of taxes, and each year we will get to vote on the current mix.

Chris Leslie: Would the hon. Gentleman be happy or unhappy if VAT stayed at 20%, perhaps for the full duration of this Parliament?

Stephen Williams: My happiness or unhappiness will be measured in 2015 when we go to the polls—perhaps after the polls—by which time, hopefully, many more people will have been taken out of income tax completely because the threshold will have gone up to £10,000, and capital gains tax will have been made fairer. A mix of proposals has been put forward, so the rise in VAT will be more than compensated for by the other measures both in this Budget, where an important start has been made, and in Budgets to come.

6.30 pm

Nic Dakin (Scunthorpe) (Lab): Does the hon. Gentleman agree that a political choice is being made to raise VAT as a regressive tax, with no political mandate?

Stephen Williams: I am not sure whether the hon. Gentleman was here earlier when the shadow Chief Secretary raised the issue of what was said during the general election. All three parties perhaps ducked the question of whether they would go ahead with an increase in VAT after the election. We all know that when we stand in an election, we do not necessarily want to put unpalatable truths to the electorate. All three Front-Bench spokespersons—the right hon. Member for Edinburgh South West (Mr Darling), who is the former Chancellor, the current Chancellor, and my right hon. Friend the Member for Twickenham (Vince Cable), who is now the Secretary of State for Business, Innovation and Skills—said that VAT increases could not be ruled out. Now, of course, we have the revelation that there was a lively debate within the then Labour Cabinet as to whether a VAT increase should be ruled out.

Mr Byrne: I am grateful to the hon. Gentleman, who is being incredibly generous in giving way this afternoon. He will surely accept that, despite internal debates—all parties have them—when our party presented a Budget to this House in March, it reached a conclusion that ruled out an increase in VAT and set out clearly how £19 billion of taxes would be brought in through a different balance of measures. Is the hon. Gentleman seriously saying that he believes that the £8 billion VAT bill that will be paid by pensioners over the course of this Parliament has been fully compensated for in measures set out in the Red Book?

Stephen Williams: I thank the shadow Chief Secretary for his intervention, but an £8 billion bill does not necessarily fall on the poorest pensioners, and I would be very concerned if it fell solely on them. It is absurd to put pensioners into a generalised pot and pretend that VAT is going to hit all of them harshly. I am sure that the Duchess of Devonshire—she may well be a constituent of one of my colleagues—is well able to bear an increase in the rate of VAT on some of her conspicuous and discretionary expenditure.

Dr William McCrea (South Antrim) (DUP) *rose—*

Stephen Williams: To be fair to all parties, I give way to the hon. Gentleman.

Dr McCrea: I thank the hon. Gentleman for giving way. Perhaps he can be clear about this. When did he and his colleagues become totally convinced that a VAT increase was essential: before the election, on the day of the election—or whenever there was an offer of posts in government?

Stephen Williams: We have discussed many times whether there should have been more candour on the part of all three Front-Bench spokespersons during the election. There was not, and we are where we are. I can only answer for what I said in my own election campaign. Bristol West had many election debates, and this topic and the question of how to deal with the financial crisis came up many times. I never ruled out a rise in VAT because I knew that after the election, a responsible Government—I hoped my party would be part of that, and I am delighted that it is—would probably have to face up to that very difficult decision.

Steve McCabe (Birmingham, Selly Oak) (Lab): The hon. Gentleman said earlier that parties ducked the issue during the election campaign. Presumably, when the Liberal Democrats said:

"You'd pay £389 more a year in VAT under the Conservatives",

that was an explicit warning that the hon. Gentleman believed, and which formed part of an election platform. The question is: when did he stop believing that?

Stephen Williams: With respect, the hon. Gentleman has only just come into the Chamber, and I think I answered that point in responding to the hon. Member for South Antrim (Dr McCrea).

I turn now to the amendments tabled by Opposition Front Benchers. The shadow Chief Secretary said that they were necessary in order to understand the impact of what is proposed, and to provide some clarity. I should point out that VAT has been part of our fiscal furniture since 1973. Labour had 13 years in government to understand the scope and impact of different rates of VAT, and we now know from revelations that have been made that the Labour Government contemplated different rates of VAT, and whether to increase it. Of course, when they were in office they reduced VAT and then put it back up again, so surely they already have a pretty good understanding—perhaps a better understanding than new Ministers—of the scope of VAT.

Mr Byrne: We have never seen VAT at these levels. The hon. Gentleman's own party leader is on the record as saying that he believes that VAT is a regressive tax, and so is the Prime Minister. Surely, before the next Finance Bill, a study should be presented to this House showing what a 20% VAT rate will mean for the people whom we represent, so that we can insist on appropriate remedies from the Government.

Stephen Williams: That intervention, and the right hon. Gentleman's amendment, would have rather more moral force behind them if that had been his party's practice when it was in office. I well remember the Budget of 2006 or perhaps 2007, when the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), as Chancellor, doubled the income tax rate paid by the poorest in society from 10% to 20%. I was among those Liberal Democrats who vigorously pointed that out, and our then leader, my right hon. and learned Friend the Member for North East Fife (Sir Menzies Campbell), was the first Member to point out that the tax charge would fall very heavily on the poorest in society. I remember the whooping from Labour Members because that measure was being put in place to fund a tax cut for the well-off. I remember them cheering the cut in capital gains tax—now, of course, they say they are against it—which was being paid for by the poorest in society. This Government—this Liberal Democrat-Conservative coalition—are protecting the lowest paid in society and taking them out of income tax, rather than increasing the rate they pay.

Amendment 40, tabled by the right hon. Member for Birmingham, Hodge Hill (Mr Byrne), certainly has some merits in terms of looking at the scope of VAT. When I was in opposition I often made a plea, as did colleagues, for a reduced rate of VAT on certain goods and services, such as contraceptives. There was also the important issue of the construction industry and whether it was right that VAT be charged in full on the repair and maintenance of housing stock—most of our housing stock is old—yet be zero-rated on the construction of new dwellings. So we have had these debates before, and it would be a useful exercise in its own right to examine the scope of VAT rates—but not as a delaying tactic against tackling the deficit now.

As I have said in response to many interventions, the Budget is a balance between what we do on expenditure and taxes, and where we choose those taxes to bite and fall. This Budget, put together by a coalition, by a new mode of politics, has struck that balance fairly. Some of the decisions within the Budget would be unpalatable on their own, but they are not being taken on their own. The VAT increase is not a measure in isolation, but one we must contemplate in the context of the rest of the Budget. That is why my colleagues and I will resist these amendments if they are pressed to a vote.

Mr David: I will be brief. This morning, I was in the Welsh Assembly in Cardiff bay and I had discussions with Jane Hutt, the Welsh Assembly Government Finance Minister. I was delighted that this afternoon, a statement was made in which the Welsh Assembly Government addressed the situation in which they find themselves in the light of the Budget. Jane Hutt made it clear that the Welsh Assembly Government intend to protect capital investment in Wales, because money is being brought forward from the Assembly Government's reserve fund. The result is that a number of capital projects that had been earmarked for being cut or delayed will now continue. The Welsh Government's economic rationale for taking that approach is that it allows effective support to be given to the construction sector and to the continuing efforts to lead Wales into economic recovery. I welcome that. Of course Labour is still in power in Wales, albeit in partnership. That approach is in stark contrast to what is happening in England, where the economic rationale is profoundly different—indeed, there is no rationale at all.

This debate has been very interesting. A number of hon. Members have made the point that in the run-up to the general election both the Conservative party and the Liberal Democrats made a number of commitments about not having plans to introduce VAT increases. They recognised that VAT was regressive and that it hit the poorest the hardest—the words of the now Deputy Prime Minister. The biscuit was really taken by the poster to which a number of hon. Members have referred. We all remember that; indeed we will never forget it, and neither will the people of this country. I shall read out, by popular demand, what the Liberal Democrats poster said:

"Tory VAT bombshell. You'd pay £389 more a year in VAT under the Conservatives".

They might have added that that would also be true under the Liberals. That sums up clearly the rank hypocrisy of many of the comments that we have heard today, particularly from Liberal Democrats.

I wish to reinforce some of the comments that have been made about what the objective studies show, now that the dust has settled somewhat following the Budget. The Institute for Fiscal Studies has said clearly that the Budget, taken in the round, will hit Britain's poorest families six times harder than the richest. The rationale for that has been described by Howard Reed, the director of Landman Economics, who designed the model that is used for this research. He said that

"a lot of public spending is 'pro-poor', with poorer households receiving a greater value of services to meet their extra welfare needs. Because of this, cuts in public spending...will tend to hit the poorest hardest."

That is a very important fact for us to bear in mind during this debate.

It is also significant that Save the Children, in particular, has set out cogently and forcefully

"Why the rise in VAT must be cancelled".

[Mr David]

It points out:

"Both the Conservatives and the Liberal Democrats had said in their election manifestos that they wanted to create a fairer society yet one of the first commitments of the new coalition government was to raise the rate of VAT. The 2.5% increase will mean families living in poverty will be put under even more pressure. Save the Children argues that the poorest should not pay the price for the economic crisis."

Chris Leslie: I entirely neglected to report in my earlier comments that the Baby Products Association, which is a bit like Save the Children, has also said that it considers

"that VAT should not be increased for necessary purchases by new parents."

It has also said that it would support VAT remaining

"at 17.5% on essential baby products to keep parenting affordable."

Mr David: That is a very important point, and it embellishes the one that I have made in general terms. Labour Members are concerned that the fight against child poverty, which needs to continue, will take a backward step. As has been mentioned, we also have concerns about the need to protect our senior citizens. The shadow Chief Secretary to the Treasury outlined clearly how our senior citizens are facing real difficulties from the cumulative effect of a number of measures introduced in the Budget, which hit them hard. I am concerned that when the dust settles again and we see the new plans for disability living allowance, a total of £350 million a year could, by the end of this Parliament, be taken off the benefits available for senior citizens. That is a cause of concern to us all.

There is also a big question mark over the economic worth of this strategy of raising VAT to 20%. A number of studies have questioned the economic validity of the models that have been introduced and the impact on the economy as a whole, and on the retail sector in particular. I refer specifically to recent research commissioned by Kelkoo, an internet comparison site, and carried out by the Centre for Retail Research, which indicated that as many as 47,000 jobs could be lost and almost 10,000 stores right across the country could be closed.

6.45 pm

Steve McCabe: I am conscious that the Government argument is that the VAT rise was an alternative to a national insurance rise, which they characterised as the tax on jobs. Does my hon. Friend share my disappointment that the Chancellor did not take advantage of the reduced rate of VAT that is allowed for labour-intensive industries under existing EU rules? The Government could have reduced the rate for places such as hairdressers and restaurants—low-paid labour-intensive industries—which would have helped these people through a difficult patch. In effect, the Government have done the opposite, and they are going to put these people out of business and cost us the jobs accordingly.

Mr David: My hon. Friend makes an interesting point, and it is well worth giving careful scrutiny to his comments. The reduction in VAT under the previous Labour Government undoubtedly had a positive effect in ensuring that spending levels were maintained through the recession. That is widely acknowledged across the international community.

Sammy Wilson: Does the hon. Gentleman recognise what happened when the previous Government, to whom he belonged at the time, reduced VAT? Rather than target the reduction, as they were exhorted to do at the time, they applied it across the board. They could have targeted the construction industry, for example, so that extensions to homes and so on could have been encouraged. For some reason, both the Labour Government and this coalition Government seem not to be prepared to target VAT changes.

Mr David: With all due respect, I say that it is far simpler and more straightforward for an across-the-board, blanket reduction to be introduced. Objective analysis tends to suggest that the kind of approach that the former Labour Government had in ensuring that that reduction in VAT was part of a coherent fiscal stimulus was certainly effective. I also ask the Committee to bear in mind that we are now talking about a VAT increase that takes us a great deal beyond the rates that we were talking about only a few months ago.

In conclusion, this is a profoundly regressive Budget. One of its most negative elements is the VAT increase. There is undoubtedly objective evidence to show that it will hit the poorest and most vulnerable members of society hardest, and at the very least the Government should accept that there is a need for a full-scale study into this, as it applies to children, especially, and to elderly people. I respectfully ask the Government to consider their position carefully.

Alec Shelbrooke: The debate has been going on for some time and many have argued—the shadow Chief Secretary to the Treasury can be mentioned here—that there is not a person in the House who wants to see the poorest in society hit. That is true, and I would be amazed if there was an hon. Member in the House who deliberately set out to target people.

Budgets have to be seen as an overall package, and I have been amazed at how the VAT rise has been picked on as a major catastrophe for the country. The hon. Member for Caerphilly (Mr David) made some interesting points about whether the increase could be phased in for different areas or for different construction industries. That was not done by the previous Government when they raised the rate back to 17.5%. As he said, there was a blanket reduction to 15% and then it all went back up to 17.5%, and those things were not taken into account. The important point that the Committee has to recognise is that although people say this is a political choice, it comes as part of the overall package of the Budget. The overall package of the Budget must not be forgotten; it aimed to try to reduce the risk of interest rates increasing as things come down. That point has been argued across this Chamber many times. Opposition Members disagree on whether interest rates should go up, but there seems to be a lot of evidence that if the deficit was not tackled—

Toby Perkins (Chesterfield) (Lab): Will the hon. Gentleman give way?

Alec Shelbrooke: I will.

Toby Perkins: Will the hon. Gentleman acknowledge that over the course of 13 years the previous Labour Government had a fantastic record of keeping interest rates low and that the last time we had sky-high interest rates was when his party was last in power?

Alec Shelbrooke: I acknowledge that the Bank of England kept interest rates low.

Let me move on. The impact of not tackling the budget deficit would be a rise in interest rates and that would affect every one of the poorest families in the country as they tried to cope with rising prices in so many different areas.

Mr Byrne: The hon. Gentleman is being enormously generous and I am following his argument closely. Does he acknowledge that in the months before the election, while its outcome was still uncertain, interest rates in this country were not going up but coming down?

Alec Shelbrooke: If memory serves me, interest rates have now been held at the same level for more than a year—that is obviously a long time before the last election.

Rachel Reeves: There is more than one type of interest rate. The hon. Gentleman is correct that the overnight rate has stayed at 0.5% for some time now, but I think that my right hon. Friend the Member for Birmingham, Hodge Hill (Mr Byrne) is referring to the long-term interest rates, which were falling for at least a month before the election.

Alec Shelbrooke: I shall give way to my hon. Friend the Member for Dover (Charlie Elphicke), too.

Charlie Elphicke: Does my hon. Friend agree that interest rates were so low for so long in the early years of the previous Government because of the deflation caused by China and India? Does he also agree that the opinion polls were read by the markets and that that was what caused long-term gilt interest rates to be so low in recent months?

Alec Shelbrooke: Yes, I accept the points that my hon. Friend makes.

The point is that interest rates away from the headline rate—that is, the interbank charging rates—were in real danger of going up. I know that we on the Government Benches are derided when we mention Greece, but the thing that we must recognise about the Greek economy is that the borrowing of money and the interest rates that went up were ultimately fed back into the market because action was not taken.

I listened carefully to the comments made by the hon. Member for Dundee East (Stewart Hosie) about his amendment. Obviously, he does not want to see VAT raised at all—he wants it left at 17.5%. I was going to make an intervention, but I thought it was worth waiting to see how he expanded his point. I was not sure whether he was commenting on the impact of the Budget on the country overall or just on Scotland. He made an important point when he said that it would have an impact on the health service in Scotland to the tune of £150 million. Of course, the national insurance rise under the previous Government would have had a similar effect.

I want to make a suggestion. The hon. Gentleman asked whether we could find other areas where the money could be found. The hon. Member for Nottingham East (Chris Leslie) also made a point about looking for other sources for the £12 billion to £13 billion involved. If the Scottish National party tabled an amendment to cut the grant to Scotland under the Barnett formula by that £12 billion to £13 billion, that amendment would have support from many Members and would avoid the need for the VAT rise. Perhaps they might want to consider that point in the later stages of this Bill's passage. It is a great disappointment to me that the hon. Member for Dundee East is not here; I am sure that he would have liked to react.

We are borrowing £3 billion a week. It has also been mentioned that the VAT rise will have an impact on charities, but the national insurance rise, which we reversed, would have too. We must return to the fact that we have put together a package of changes. Saying that £8 billion will be taken away from pensioners is not a generous comment because it assumes that that £8 billion will be taken from the poorest pensioners. As has been made clear, that will not necessarily come from the poorest pensioners at all. It could come from all pensioners.

Mr Byrne: The hon. Gentleman is now touching on a debate that is at the core of one of the amendments that I tabled. He needs to be able to tell the Committee which pensioners will be worse off as a result of this £8 billion increase. If he does not know, surely it would be right for him to ask the Government to prepare and present a report for the House.

Alec Shelbrooke: I am grateful to the shadow Chief Secretary. Let us consider the other aspects of the Budget, such as the fact that we have ensured that we preserve the free television licence, the fuel payments and the free bus passes—not to mention the triple lock, which he was deriding earlier. This can be checked in *Hansard*, but from memory I am sure I recall the Chancellor of the Exchequer telling the House quite clearly that a move would take place from the consumer prices index to the retail prices index when he made that announcement. I do not think that it was in the small print—I am sure that the Chancellor stood at the Dispatch Box and made that point quite clear. I am sure that *Hansard* will back that up and if I am wrong I will acknowledge that to the House, but I am sure that that measure was not snuck out in the small print.

As the shadow Chancellor of the Exchequer was apparently saying before the election, we cannot just borrow more to pay for services. As I have listened to Opposition Members during the debate, I have been struck by the question: which Labour party are we looking at today? Is it the one that wants to spend more or the one that wants to tax more? So far, in the debates about the cutting of the schools budget we have been told that it is all terrible and that we should have carried on spending more and more money, and today we are hearing that we should not increase taxes. That is how we got into this situation. We owe billions every year. Stacking up the net deficit—

Chris Leslie: It was the banks.

Alec Shelbrooke: The hon. Gentleman mentions the banks, and there is no doubt that they had problems, but the fact is that this country was borrowing beyond its GDP during the boom years. Countries such as Sweden put 2% of their GDP aside and Australia paid off its national debt, leaving those countries in a far stronger position to tackle the recession when it came. Everybody accepts that the banking crisis caused problems, but they were exacerbated by the actions of the previous Government.

Charlie Elphicke: Is it not the case that the banking crisis was massively exacerbated by a very poor regulatory system?

Alec Shelbrooke: I absolutely agree with my hon. Friend.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): Is the hon. Gentleman representing the Conservative party that says that we are all in it together, or is he representing the Conservative party that proposes VAT increases that do not apply to private health care or private education?

Alec Shelbrooke: I am not going to respond to that point, because I do not particularly know the answer and it would be wrong of me to stand in front of the Committee and make it up as I go along. I am not going to do that.

The amendments are fine—I can see the logic in some of them—but they create a mass bureaucracy. As the Chancellor made clear in the Budget statement, he ruled out some approaches because the money saved would be taken up by bureaucracy. To apply VAT at different rates to different aspects would create bureaucracy in enabling it to be understood and that will not do the economy any good in the long run.

Earlier, during Treasury questions, someone mentioned that the percentage GDP debt of a bunch of European countries was more than the percentage debt of this country. If we listened to Opposition Members, we could think that this country was going way out on a limb, above everywhere else. However, the VAT rise takes us to the fifth lowest out of 14 European countries. VAT in Austria is 20%, and in Belgium it is 21%, in Denmark 25%, in Ireland 21%, in Finland 23%, in Greece 23%, in Italy 20%, in Norway 25% and in Sweden 25%. All those countries have much higher rates of VAT.

Mr Iain Wright: I am following the hon. Gentleman's argument closely. Given the basket of European nations that he has named, and in order to tackle the deficit further and faster, does he advocate raising VAT to 22% or 25%?

Alec Shelbrooke: I am perfectly happy with the balance that has been proposed in the Budget by the Chancellor of the Exchequer, raising VAT to 20% as part of a series of checks and balances in other areas. For example, he is raising the rate of income tax, taking almost 1 million people out of income tax. He is bringing in the triple lock for pensioners and protection for child tax credits, as well as ensuring that the lowest paid in society will not be subjected to a pay freeze. These are all parts of that series of checks and balances. It would be ridiculous to say that we should add another 5% on top of that just because we can. That was not what the Budget was about; it was about trying to tackle the deficit.

Andrew George: My hon. Friend talks about balance in the Budget. When he talked about the VAT rates in the basket of other European nations, I do not think that he was suggesting that this should be about pursuing the lowest, or even the highest, common denominator. He will have heard about the Financial Secretary's statement to the British Bankers Association last night on having further levies on banks. If that were possible and if it yielded sufficient income to the Treasury, would my hon. Friend agree that the Treasury could introduce a lower rate of VAT than is currently proposed?

7 pm

Alec Shelbrooke: A point made clearly in the debate by a great many people is that each time a Budget comes to the House, the taxation system can be looked at and changed. This Budget tackles today's problems: if deficits fall, revenues are there and the balance comes in, we can look to changing that approach. Looking back into the mists of time, people forget that over the 18 years of the last Conservative Government, taxation was reduced overall, but in the early part, in the late 1970s and early 1980s, taxation had to rise to tackle the deficit. As time moved on and circumstances allowed, overall taxation on people was reduced. The hon. Gentleman makes a sensible point, but we would need to consider matters as each Budget came forward. This is the first Budget of a five-year Parliament, and it set out to tackle a specific issue.

I did some research on this matter, and the Library told me that VAT is applied to only 50% of consumer goods that are bought by the public, so the VAT rise is far less regressive than a rise in income tax, for example—[Hon. Members: "What!"] Absolutely. People have no choice but to pay their taxes, whereas they can make choices about what they pay VAT on. We come back to the question of which pensioners we are talking about. Are we talking about the pensioners who go out and buy cars or those who go out and buy the food on which VAT is not charged?

Charlie Elphicke: Does my hon. Friend recall how the fuel duty was thrust up as a stealth tax/poll tax on wheels? We all remember that and all the other stealth taxes from previous Labour Governments. Did they say that they were regressive at that time?

Alec Shelbrooke: Absolutely; I agree entirely with my hon. Friend. When the previous Government lowered VAT to 15%, the then Chancellor added 2p to fuel duty to compensate for the 2.5% reduction, but he did not take that 2p back off when he put VAT back up to 17.5%, thereby hitting everybody and, as was pointed out earlier, the goods in shops.

Mr John Redwood (Wokingham) (Con): Has my hon. Friend heard any explanation from Opposition Members as to why raising VAT from 15% to 17.5% was a brilliant policy, but raising it from 17.5% to 20% is a disastrous policy? I do not quite understand the distinction they are making.

Alec Shelbrooke: My right hon. Friend makes a very important point that I tried to make earlier. It is all very well for the hon. Member for Caerphilly to ask why the VAT rise is not different for different areas—perhaps less for the construction industry—but when it went from 15% to 17.5%, it was a blanket policy that hit everywhere. It is important to ask why that rise was acceptable but this rise is not.

To conclude, we have to bear two things in mind when we consider the amendments. The VAT rise is regrettable. Nobody in the House particularly wanted taxation to rise—that is not why we came into politics, with the exception of Labour Members who seemed to raise it year on year regardless—but the purpose of the Budget is to reduce the overall deficit and to bring security to the economy, to people's jobs and to people's everyday living allowances by keeping interest rates low. Some of the amendments might have value on their own, but, looking at the bigger picture, I do not believe that they would add value or do anything to reduce the deficit that the country now faces.

The Temporary Chair (Mr Mike Hancock): Before you finish, Dr McCrea was eager to get in but you missed him. I know that you would not want to be disrespectful to him.

Alec Shelbrooke: I shall give way to the hon. Gentleman.

Dr McCrea: Thank you very much. All the facts about VAT were known by the parties before the election a few weeks ago, but the Lib Dems were not convinced of the need to increase VAT then. What does the hon. Gentleman believe changed his colleagues' minds so quickly?

The Temporary Chair: If I had known that was the question, I would not have said anything.

Alec Shelbrooke: As I am a Conservative Member of Parliament, not a Liberal Democrat, I would find it very hard to comment on that. I am sure that they quickly realised, having finally seen the books, the dire state of the economic situation.

The Temporary Chair: I call Gavin Shuker—sorry, Rachel Reeves. I was misinformed; I apologise.

Rachel Reeves: That is okay, Mr Hancock; people often cannot tell us apart.

I rise to support amendments 25 and 43. The impact that the VAT increases in the Bill will have on the most vulnerable in our society—those who are least responsible for the global financial crisis—has been ignored and avoided by the Government, and I wholeheartedly agree that there should be a full analysis of and subsequent report on the extent to which the increase will affect low-income households in particular.

The Government's plans to raise VAT from 17.5% to 20% are highly regressive and entirely unfair. We know that the poorest fifth of Britons pay twice as much of their disposable income in VAT—at 12.1%—as the richest, who pay just 5.9%. Independent estimates from the Institute for Fiscal Studies show that because of this Budget, by 2014-15, the incomes of the bottom 10% of the population will fall by 2.6%, which is equivalent to £5 a week. Given that those in the bottom 10% of income distribution earn on average £190 a week and already struggle to make ends meet, that £5 a week reduction in their incomes will inevitably hit families and pensioners, plunging more of them into poverty. In contrast, those who are fortunate enough to be in the top 10% of income distribution will experience a mere 0.7% fall in their weekly incomes. As their average income is about £1,600 a week, I suspect that a reduction of £11 will be somewhat more manageable to them than the reduction in weekly income will be to those in the poorest decile of income distribution.

I know that I need not spell all this out to the Government, because just a year ago, the Prime Minister said that VAT changes would hit "the poorest hardest", and it is no secret that the Deputy Prime Minister is well aware of just how regressive VAT changes can be. A few months ago, he described what the Government are planning now as a "VAT bombshell". The Government had a choice about how to reduce the Budget deficit and they chose a package of measures that included the VAT rise, which will make it even harder for low-income families to keep their heads above water.

Let me remind the Government that they did have a choice. There is another way of achieving a reduction in the Budget deficit without threatening economic growth and without the unfairness of the most vulnerable in society being hit the hardest. In March, the then Chancellor of the Exchequer introduced a Budget that included £19 billion-worth of tax increases and £38 billion-worth of spending cuts. With those tax increases, those in the bottom 10% of income distribution experienced not the 2.6% reduction in their incomes that will be the effect of this Government's Budget, but a 0% reduction. In contrast, those in the top 10% experienced not a 0.7% reduction in their incomes, as they will under this Budget, but a 6.8% reduction. Instead of following the choices taken by the previous Labour Government, this Government have chosen measures that will hit the poorest in society the hardest.

Mr Redwood: Does the hon. Lady not understand that the Government have adopted practically all the proposals of the outgoing Government? The Red Book makes it very clear that the rich will be hit much harder, both as a proportion and in cash terms, than those on low incomes. She has to look at both Budgets together, because they are now both the Budgets of the coalition Government.

Rachel Reeves: I think it is reasonable to look at them separately; one was introduced by a Labour Chancellor and the other by a Conservative Chancellor, and the difference between them is stark, as I hope other hon. Members will agree.

Helen Goodman (Bishop Auckland) (Lab): Is my hon. Friend aware that the distribution figures published in the Red Book do not include housing benefit? The latest information we have is that a million people are going to lose £500 a year in housing benefit. They are not the richest people; they are the poorest people.

Rachel Reeves: My hon. Friend is correct. In addition, the reductions in spending are not included in the Red Book analysis, and they will hit people in poorer, low-income families more than those in the top income decile.

[Rachel Reeves]

I do not dispute the fact that tax increases and spending cuts were needed in this Parliament, but I know that the impact on the poorest in society could and should have been lessened. We need the amendment so that we can fully understand the extent of the impact. The Red Book shows exactly where the pain and the priority rests. Benefit cuts will reduce the income of the poor and vulnerable by £11 billion. The regressive VAT increase will cost families and pensioners £13 billion. The bank levy will yield £2.4 billion. How ironic that the Government are making the banks and those at the top of the financial institutions, which are largely responsible for the recession, pay just a fraction of what those at the bottom are being made to pay.

Alec Shelbrooke: I wonder whether the hon. Lady accepts, though, that this Government brought in the bank levy and hers did not.

Rachel Reeves: The hon. Gentleman might also be aware that the Labour Government introduced a tax on bankers' bonuses, which brought in more than the bank levy will bring in. So while I accept what the hon. Gentleman says, Labour intended to tax the banks more than the hon. Gentleman's Government propose to do.

Geraint Davies (Swansea West) (Lab/Co-op): Will my hon. Friend give way?

Rachel Reeves: I would like to make a little progress and then I will give way.

It is doubly ironic that the banking analysts now suggest that the cuts in capital gains tax could cancel out the bank levy, leaving some banks better off. HSBC has said:

"On our estimates, the corporation tax cut should neatly offset the levy over time. Put another way, net net the Treasury appears to have cut corporation taxes for UK industry, but not for the banks. Moreover, hedge funds and other financial institutions will not be even covered by the banking levy so they can go about their business as they did before paying no more tax under this Government."

My constituents in Leeds West have average incomes of £16,000 a year. They did not cause the recession; they do not have savings to draw on.

Mr Redwood: Will the hon. Lady give way?

Rachel Reeves: I have already given way to the right hon. Gentleman and I am just winding up now.

My constituents are being asked to make sacrifices that they can ill afford, most especially through the increase in VAT, well beyond the sacrifices that those at the top are being asked to make. I therefore fully support the amendment and ask that the Government undertake a full analysis of the impact and extent that this regressive, unfair and unjust VAT rise will have on those groups who can least afford to pay and least deserve a tax hike.

Jon Trickett (Hemsworth) (Lab): It has been an interesting debate and many of the points that I wanted to make have already been addressed. The hon. Member for Elmet and Rothwell (Alec Shelbrooke) made much of the fact that we should judge the VAT rise as part of a package. It is a package that puts money into the pockets of the rich, so it does not surprise me that a Conservative Member should welcome it. He said that income tax was regressive whereas VAT was not. He ought to have consulted the words of his leader, now Prime Minister, who, on 8 May, said of VAT:

"it's very regressive, it hits the poorest the hardest ... VAT is a more regressive tax than income tax or council tax."

I rather think that the hon. Gentleman will be waiting some time for a telephone call when the reshuffle eventually comes, given the way he contradicts his Prime Minister.

It is unfortunate that the spokesman for the Liberal Democrat party is not here. This is an interesting innovation. We have spokespersons for the Government—Ministers and so on—and spokespersons for the Liberal Democrat party, who made a case for the Government's decision to increase VAT. I wonder which Liberal Democrat party they were speaking for—certainly not the party in the country.

A poll the other day—I do not know whether other hon. Members saw it—showed that the overwhelming majority of Liberal Democrat party members did not support the increase in VAT. It is interesting to note that the hon. Member for Bermondsey and Old Southwark (Simon Hughes), the deputy leader of the Liberal Democrats, is not in his place. That may be to do with the fact that he has a different view, probably the view of the Liberal Democrat party rather than that of the Government. He said in June:

"I hope we don't have a VAT increase because it is the most regressive form of tax, it penalises the poor at the same rate as the rich."

The Deputy Prime Minister said in April, just before the election, that VAT "is a regressive tax". The Leader of the Welsh Liberal Democrats, the hon. Member for Brecon and Radnorshire (Roger Williams), will not support any increase in VAT because it is a "very regressive tax".

The two parties went into the election saying that there were no plans to increase VAT. The Chancellor, then the shadow Chancellor, said in April this year—not so long ago—that the Conservative tax plans were

"already in place, the plans do not include an increase in VAT."

7.15 pm

Mr Kevan Jones (North Durham) (Lab): In his research for tonight's debate, did my hon. Friend look at *The Times* of 10 April when the Chancellor said:

"We have no plans to increase VAT."?

Jon Trickett: We may be quoting the same article. It was not that the shadow Chancellor, as he was then, had said, "Well, I'm not going to comment prior to the election on whether we need to increase VAT or not." He said that the Conservative plans did not require an increase in VAT.

The Liberal Democrats were totally opposed to an increase in VAT and, as far as I can see, the party retains a policy to this day of opposition to it, but the Conservative party has form. I do not know whether everyone in the House has the same length of memory as me, but if we go back to the time before the 1979 election—I was not in the House then, but I was interested in politics—it turns out that the Tories, if they won the election, would

inherit a VAT rate of 8%. A document has now been leaked to the press—it is printed in *The Independent*—that arose from a secret meeting at Sir Geoffrey Howe's home in Lambeth, 12 months before the 1979 election. The document, which was numbered—only about six people had a copy—clearly agreed that the Tories would double VAT from 8 to 15%. Yet for the whole of the period up to that election the Tories denied that they had plans to increase VAT, let alone to double it.

So the Tories have form. They clearly had plans to increase VAT before the last election, just as they did in 1979. All the humbug about the Labour Government planning surreptitiously to raise VAT is precisely that—it is humbug. Labour has never increased VAT; the Tories always increase it. They took it from 8% to where it will be—20%. That is the truth of it, and they have hidden the truth from the public.

Sandra Osborne (Ayr, Carrick and Cumnock) (Lab): Does my hon. Friend recall that when the Tories doubled VAT in the long distant past some members of the Tory party had the guts to vote against the decision? Does he agree that if the Liberal Democrats had the guts to do so and they were thinking of the poorest in our society, they would vote with our side tonight?

Jon Trickett: My hon. Friend makes a telling point. I shall come back to the Liberal Democrats and the Secretary of State for Business, Innovation and Skills. I am sorry that he is not in his place. It would be interesting to hear him defend what he said. It was put to him by Andrew Marr on the BBC, "How is it that your party fought the election opposed to VAT and now you are in a coalition which is increasing VAT?" It is something that the Tories always do because they want to take money from the poor to give to the rich, which is what VAT effectively does, as we will see. He was asked if he was embarrassed by his party's election posters. We have seen the poster this evening in the House. As reported in the *Daily Mail*, the Secretary of State responded:

> "We were only trying to score a point against the Conservatives, if you like. Okay, well that was in the election. We have now moved past the election."

I know, Mr Hancock, that you will tell me that it is unparliamentary for a Member to suggest that another Member has deceived the House, yet the Secretary of State was quite happy to say that he had deceived the public. I do not know whether it is parliamentary language for me to say it, but he himself said that he deceived the public as part of the game. I do not regard politics or elections as a game. I believe you should do as you say, and say as you do. That is how I was brought up in Yorkshire. I thought the Lib Dems aspired to the values of progressive politics. The saintly Vince—as he was then being called—could have said that circumstances had changed, but for him to say that it was perfectly okay to practise a deception on the electorate in the run-up to the election and then to reverse his position afterwards is hardly saintly, to say the least. I am sure that is something that can be said in a parliamentary context.

Steve Rotheram (Liverpool, Walton) (Lab): Does my hon. Friend agree that the people least able to afford VAT increases, such as people in my constituency, will be disproportionately affected by the proposals?

Jon Trickett: Of course, and I shall come to that point. During my long sojourn on the Back Bench this afternoon, I have had several visits from my hon. Friend the Member for Leeds East (Mr Mudie), who is watching me carefully, so I shall try to be as brief as I can.

Several Lib Dem coalition partners made the case that it was now possible to reverse their position. It was said that the package as a whole was fair. It was said that the measures would cut the deficit and that the private sector should be allowed to breathe and grow. Each of those arguments is incorrect.

Andrew George: With his characteristic Yorkshire approach, the hon. Gentleman says that politicians should do as they say and say as they do. On that basis, will he be encouraging the shadow Chancellor to be honest with the House, and with him, and say that he made proposals to raise VAT to 18% or 19%, not just once but twice? That was his favoured remedy for the difficulties the country faced over the last year.

Jon Trickett: I shall answer that point specifically because I believe in being honest. For the last two years I worked in No. 10 and I can say that all kinds of options were reviewed, but at the end of the day the Government took the collective view that it would not be right to raise VAT. That was the decision they made. The then Chancellor said in the House, when he was making last year's pre-Budget report, that he had looked at the VAT option and rejected it. I remind the House that no Labour Government have ever increased VAT. We stand on our record. The reason was given by my hon. Friend the Member for Liverpool, Walton (Steve Rotheram), who pointed out how regressive VAT is.

Clive Efford (Eltham) (Lab): In answer to the Liberal Democrats, it is not what Governments consider but what they do and what they vote for that counts. The increase in VAT will hurt the poorest in our communities. Furthermore, to return to my hon. Friend's point about the Secretary of State for Business, Innovation and Skills, when the right hon. Gentleman told Andrew Marr that he was making a political point, the corollary is that he knew he was saying something untrue when he opposed the VAT increase during the election.

Jon Trickett: I follow my hon. Friend quite a lot of the way, but we have to be careful about suggesting that the Secretary of State knew something was untrue. However, he appeared to say in that interview that he had misled the electorate and that it was perfectly okay for the Lib Dems to do so because after the election a new world would be entered into.

As has been mentioned several times, the Library confirms how regressive—that is, unfair—VAT is. How can the Secretary of State argue in this place and elsewhere that he decided to vote for the Budget as a package because it introduced fairness when the House of Commons Library shows that all serious economists accept that VAT is a regressive tax? It falls twice as heavily on the poorest deciles as on the richest. I wanted to speak briefly about the situation for students, but given the time I simply note the fact that students and others on fixed incomes, such as pensioners, will suffer greatly as a result of the VAT increases they will face.

[Jon Trickett]

I have three further points. First, every increase in VAT produces an increase in inflation. If there is to be a proper impact assessment, we must look at the effect of VAT on inflation. Most economists agree that inflation will rise by about 2% as a result of the VAT rise. If the Government increase inflation by 2%, even if there was no other inflation in the economy, they will be in breach of Monetary Policy Committee guidelines. However, we know that there is already inflation in the economy.

An increase in VAT, with the corollary that inflation will rise well above 2%, will lead to interest rate rises, which will begin to squeeze away any recovery in the economy that we all hope is coming. The British Retail Consortium said that there will be job losses, company bankruptcies and unemployment as a direct result of the inflation caused by the VAT rise. Moreover, the fact that demand of up to £13.5 billion will be taken out of the economy as a consequence of the VAT rises will produce further unemployment problems. If the level of aggregate demand is reduced there will inevitably be unemployment. Most economists predict that between 180,000 and 220,000 jobs will probably be lost as a consequence of the VAT rise and the reduction of demand in the economy.

Finally, this VAT rise is wholly unnecessary. It does not contribute in any way to the reduction of the deficit. As we know, the VAT hike will take £13.45 billion by its final year, 2014-15. If the measure was being used to take money out of the economy to help the deficit, one could understand it, but the same Budget hands out money in tax cuts as follows: there will be reductions in corporation tax and in small business profits tax, an increase in the employers' national insurance contribution threshold, increases in personal allowances for income tax, adjustments for basic rate and upper earnings limits and a council tax freeze. All those tax give-aways add up to £12.37 billion—almost the same amount as will be raised through the VAT rise. The truth is that the measure is not in any way about reducing the deficit; it is about tax givé-aways to the Tories' friends—the richer people in our society. The VAT rise is exposed for what it is: a regressive tax, taking money from the whole economy to bolster the Tories' friends in business and the 22 millionaires who sit around the Cabinet table. No doubt many people on the wealthier side of the divide in this country are rubbing their hands in glee.

Owen Smith (Pontypridd) (Lab): My right hon. Friend the shadow Chief Secretary to the Treasury said at the start of the debate that clause 3 goes right to the heart of the Budget, and I entirely agree. It is also, effectively, a signature measure from this Tory Government, inasmuch as it exemplifies their ability to break the promises they made before the election and is pretty heartless in its targeting, through its regressive measures, of the poorest and the most vulnerable in our society—and all without any sort of mandate, given that they did not put the measure before the people of the country during the election.

7.30 pm

Amendment 25, which is in my name, calls for an impact assessment in respect of several key commercial and other sectors of society that will be disproportionately hit by the VAT increase. I do not intend to talk about all six areas, partly because my hon. Friend the Member for Leeds West (Rachel Reeves) spoke so eloquently about the most important of those sectors—the poorest, the most vulnerable and the people on low incomes in our society. They are the people who will be hardest hit by the increase in VAT, and they are the people who matter most.

I want to address the specific issue in respect of the NHS. Quite often it is thought that the NHS is immune from VAT rises because it can recover VAT on many items, but I think I can show that the NHS—one of those areas that are hugely important to the most vulnerable people in our society and that has a fragile budget—will be hit by the VAT rise. One of the Prime Minister's promises before the election, in addition to promising not to put up VAT—a broken promise—was that he would cut the deficit, not the NHS. In reality, the VAT rise, which will impact on the NHS, is a real-terms, de facto cut in the budgets of the NHS.

Crucially, although the NHS can reclaim VAT in some areas of spending such as direct medical services and what are called contracted-out services, which are dealt with under the contracted-out services provision, not all areas are subject to the contracted-out services provision. The King's Fund calculates that the VAT rise will cost the NHS £250 million to £300 million per annum, and, more specifically, in answer to a parliamentary question tabled at the Scottish Parliament, we heard from Nicola Sturgeon, the Minister responsible for the NHS, that she anticipated the VAT rise costing £25 million per annum, which is clearly in line with the £250 million to £300 million that we can anticipate for the UK as a whole.

That estimate of extra cost is predicated on the fact that the NHS has to pay VAT on purchasing, for example, a new MRI scanner, if it is for clinical purposes—that is, unless it is designed specifically for research purposes. A fully equipped ambulance now costs an NHS trust about £225,000, to which the VAT increase will add £6,000. A CT body scanner, which costs £700,000, will cost £17,500 more. Locum doctors, who are widely used in the NHS, are another service on which the NHS cannot reclaim the VAT. So each NHS trust in the UK will have to pay an additional £75,000—about £3 million across the NHS—for the use of locum services.

Why does that matter? It matters, as I said, because it is a genuine increase in costs for the NHS and it is not accounted for in the current payment to the NHS. Government also often respond to this line of inquiry—

Nadhim Zahawi (Stratford-on-Avon) (Con): Did the hon. Gentleman make the same argument when his Government put up VAT?

Owen Smith: We have heard this argument a lot today and, yes, VAT, having gone down to 15% as part of the fiscal stimulus, did go back up to the level at which it had sat—17.5%. However, many Labour Members have made it very clear indeed that VAT was not put up—apart from when it returned to a pre-set level having gone down—under any previous Labour Government, where a successive Tory Government, on assuming office, put up VAT. It is the Tories' stock in trade. It is what we expect, and it is what we got.

Thomas Docherty (Dunfermline and West Fife) (Lab): Perhaps my hon. Friend is not aware that the current Prime Minister was a special adviser to the Tory Government that last put up VAT. Does he agree that people such as the Prime Minister revel in using VAT as a way of punishing front-line services like the health service?

Owen Smith: The burden of my comments tonight is that the NHS is receiving a cut in its budgets as a result of the VAT increase, so, again, it is a broken promise from the Prime Minister.

VAT is a deeply regressive tax whose impact on the most vulnerable in our society will be seen only when the comprehensive spending review is produced in the autumn. VAT will bite on NHS services in constituencies such as mine of Pontypridd, and right across this country, and we should oppose that wholeheartedly.

Mark Durkan: I wish to speak to a number of the amendments, and the ground has been fairly well covered on many of them.

In an intervention I referred to the Treasury document "Tax Policy Making" that was published on the same day as the Budget. The Exchequer Secretary to the Treasury, who was with us and is back with us now, wrote the foreword, in which he said:

"I want a new approach to tax policy making: a more considered approach. Consultation on policy design and scrutiny of draft legislative proposals should be the cornerstones of this"

system. Therefore, I am quite sure that he would be comfortable with all the hon. Members, including the hon. Member for St Ives (Andrew George), using the device of a Finance Bill to tease out many of these proposals and their implications.

I quoted from three key paragraphs of that paper on tax policy, which suggested that there should be more effective scrutiny of tax legislation, that a tailored tax impact assessment would replace the current regulatory impact assessment and that the Government would consider greater use of sunset clauses, or a trigger for an evaluation in legislation. Quite a number of the amendments propose sunset clauses, triggers for evaluation or impact assessments. On that basis, I would have thought that Ministers could accept amendments 55 and 22, tabled by the hon. Members for St Ives and for Nottingham East (Chris Leslie), which propose different sunset clauses.

The hon. Member for St Ives chose a two-year period for his sunset clause. I pointed out in an intervention that it just happened that two years was the period that the Government had used for their assessment of the impact of the tax changes on families and households. Two years is also, of course, the period of the public sector pay freeze, so if the public sector pay freeze is part of the emergency period and defines the emergency period of the Budget, surely there is a case to argue that if this is an emergency increase in VAT that has to be undertaken to get revenue in now, to help reduce the deficit, it should similarly be time-limited.

The colleague of the hon. Member for St Ives, the hon. Member for Bristol West (Stephen Williams), spoke in a strange way—I do not quite know what this twilight zone rule is whereby the hon. Gentleman speaks not only as a Government MP but in some other role, not as a spokesperson for the party, but as someone who has been told to speak here for the party as Chair of some Back-Bench committee. No doubt when this twilight zone rule is worked out, we shall find out more. He was confident enough that because there would be Finance Bills every year, this measure would be subject to change and review, but that is not what the Chancellor told us in the Budget statement. In referring to the increase in VAT to 20%, he said:

"This single tax measure will by the end of this Parliament generate over £13 billion a year of extra revenues."—[*Official Report*, 22 June 2010; Vol. 512, c. 177.]

There is nothing temporary about that, and nothing about being just for the next two years. Clearly, if the Government get this increase, it will be there to infinity and beyond.

The hon. Member for Elmet and Rothwell (Alec Shelbrooke) argued that VAT is more progressive than income tax because only 50% of goods are subject to VAT. That is a completely new argument, even for the Tories. Of course, as other hon. Members have said, if people believe that the increase to 20% will reduce the deficit and be benign in its progressive impact, why stop at 20%? Why not continue much higher? That is the nonsense that we are being treated to.

Other amendments seek to make exemptions for children's necessities and other things. In an earlier intervention, my colleague, the hon. Member for East Antrim (Sammy Wilson), said that all Governments should make much more selective use of the menu of VAT rates, which they could apply to certain services to help to stimulate construction and other sectors. All of us hoped that the Government would continue that in future, rather than just locking on to the relentless pursuit of keeping VAT high for now and for good.

The hon. Member for St Ives also questioned the difficulty caused by the fact that the Treasury and Whips tell Members that we cannot change part of the Budget because the whole thing is a package. After we heard the Budget statement, we debated a number of resolutions. Some Members voted for some of them and against others, and other Members abstained. Those resolutions are all different, and they must all be taken differently. This proposal comes to us in the form of a Finance Bill. Members have the right to seek amendments on specific measures because of their impact. Labour Front Benchers have tabled amendments that would require clear impact assessments before changes can come into effect. That is logically consistent with what the Government said in their paper, "Tax Policy Making: a new approach", so why should it not happen?

We have all spent the past year reeling from the impact on the credibility of politics and Parliament of the expenses scandal. During the debate, Members on both sides have traded points about the fact that there is a basic dishonesty and self-delusion and self-deception in some of the positions that are being adopted. It does nothing for the credibility of the political process when we can all point out the inconsistencies in one another's position. That just adds to the credibility deficit in the political process, whatever we say about trying to cope with the national deficit.

The Liberal Democrats have been asked about their position several times today. In fairness to the hon. Member for St Ives, who is publicly carrying his doubts, I should say that he has at least participated in the debate—everyone else has absconded—but we need to know, as the hon. Member for South Antrim (Dr McCrea)

[Mark Durkan]

asked, when exactly was the moment of conversion. The Liberal Democrats have not undergone the only conversion; we now hear Tory Members seeing many merits in the measures in the Budget that they had previously denounced, rejected and campaigned against. We now have more Government Members on more roads to Damascus than does the Syrian bus fleet. At some point, they will have to tell us what caused that, other than just a conversation with the Governor of the Bank of England.

The hon. Member for Hemsworth (Jon Trickett) referred to the Secretary of State for Business, Innovation and Skills, who, of course, told the House in the Budget debate that what changed him was a conservation he had with the Governor, who used the scary words, "sovereign debt crisis", which changed the right hon. Gentleman's mind. Of course, that is the same Governor of the Bank of England whom the right hon. Gentleman lampooned for a long time for telling us that there was no recession coming, when other people could see it coming and said so. After that magic conversation, policy changed completely.

7.45 pm

However parties have got into this position, Parliament, particularly this House, which has a duty in relation to budgetary matters and Finance Bills, has a corporate duty to ensure that we scrutinise policies and assess their impact. The classic example, which was mentioned by Conservative and Liberal Democrat Members, existed in the last Parliament when the then Chancellor abolished the 10p tax rate. Many people said that that would have an adverse impact on the poor, but the then Chancellor said, "No, bunkum. That's not what the Treasury figures show." Many Labour Members were bamboozled into accepting that, simply because they were told that it was part of a package and that, if they voted against it, the whole thing would fall apart. However, those who said that it was wrong and challenged it were right, and they were vindicated and proved to be right. That was Parliament working properly.

Andrew George: The hon. Gentleman is making a thoughtful contribution to the debate. I think that, in summary, he acknowledges that none of the larger parties ruled out before the election the possibility of a VAT rise. We are here post-election, when we are no longer seeking votes, and we are facing the political reality of having to address the seriousness of the problems with the public finances. I hope that he will accept the fact that the coalition Government involves two very distinct parties and that we have to have that debate publicly; that is part of the new politics.

Mark Durkan: I accept that the hon. Gentleman is wrestling with his conscience, but the bets are that it will be a draw. We remember the explicit terms in which people talked about VAT increases. The leader of the Liberal Democrats specifically campaigned strongly against VAT increases and particularly fingered another party on that basis and spelled out that it was a regressive tax. He was right then; he is wrong now to pretend that it is not a regressive tax that will clearly have an impact on the poor—not just on the existing poor, but on the new poor created in the context of the Budget and the current financial outlook.

People who are in public sector jobs will be put out of them. People on public sector incomes above £21,000 will face a pay freeze—that is a pay cut in real terms—and we know from what has been said in the Budget that many people on benefits will either find them capped or themselves dumped off benefits. In those circumstances, not just the existing poor, but the new, additional poor will suffer. If we consider the Budget as a package, we must think about those sides of the package as well, not just the Lib Dem accessories that they are proud of in the Budget, such as the increase in personal allowances and so on. The total impact needs to be remembered, and that is what most of these amendments are getting at.

Of course, there is a clear, absolute overriding amendment, which has not been tabled as a probing amendment. It is amendment 13, tabled by the hon. Member for Dundee East (Stewart Hosie). Just as many Labour Members have criticised Lib Dem Members and questioned their credibility, given what they campaigned on, and challenged Tory Members as well, I have to tell my Labour friends that, if they want to be credible in the criticisms and attacks that they are making on the Lib Dems, they will vote for amendment 13.

Jonathan Edwards: I am delighted to have this opportunity to speak in support of amendment 13, which was tabled by my hon. Friend the Member for Dundee East (Stewart Hosie) on behalf of the Plaid Cymru-Scottish National party group.

Our opposition to the increase in the standard VAT rate from 17.5% to 20% from January stems from two key reasons—one social and one economic. On the social front, there is little doubt that VAT is a regressive tax. As the excellent Library paper on this specific emergency Budget proposal indicated, the poorest in society spend 18% of their disposable income on VAT, while the richest spend about 10%. For the poorest in society, VAT is more likely to hit necessary spending, but as one gets richer VAT costs tend to hit discretionary spending, and that is a very important distinction.

The increase in VAT will also leave people on fixed incomes terribly exposed. The Budget included real-terms cuts in benefits payments, given the change from the retail prices index to the consumer prices index for the calculation of benefit increases. Only today, we saw the levels of RPI at 5% and of CPI at 3.2%. The people dependent on welfare payments therefore face an unwelcome double whammy on their incomes, affecting their purchasing power—a theme to which I shall return later in my contribution.

There is always a lag between the human cost of a recession and the end of an economic downturn, so placing further pressure on the very people who are the true victims of the banking crisis by hitting their disposable income seems callous. Indeed, the VAT increase could actually deepen the human cost of the recession as social problems such as personal debt increase. For those of us on the left of the political spectrum, the steep VAT increase in the Bill, and its disproportionate effect on the poorest in society, contrasts with the treatment of the banking and economic elite, who have had a far easier ride in the emergency Budget. Social justice would demand that those responsible for the economic recession—with their irresponsible behaviour—and the subsequent budget deficit, which fixates the

new UK Government, should pay more than their fair share. Although the VAT increase will raise £13.5 billion, the bankers will be subject to a feeble banking levy of £2 billion per annum when it reaches its full force—with its effect wiped out by the changes to corporation tax.

I deal now with the economic argument against the VAT increase in the Bill. VAT is essentially a tax on consumption. Considering that economic growth over the past decade was largely driven by consumer spending, resulting personal debt levels in the UK rocketing to the equivalent of 100% of gross value added, at £1.4 trillion, there is a medium to long-term economic case for addressing that unsustainable situation by reducing the dependence on retail spending in the economy and promoting production and manufacturing. Indeed, debt charities such as Citizens Advice report that the debt problems they deal with continue to increase as the human cost of the recession feeds into the system.

My preference would be to change the banking code and make it more difficult for lenders to seduce consumers into debts that they cannot service, rather than directly reducing the purchasing powers of individuals via the use of VAT. However, the major issue faced by the economy is a lack of demand. Growth in consumer spending will be the key if the UK Government are to reach the economic growth forecasts they have set in order to achieve their fiscal consolidation targets. The eminent economist David Blanchflower has argued that the Budget's VAT proposals will stymie the consumer-led growth on which it depends. The increase will also hit small businesses, which are the backbone of the economy in constituencies such as mine.

Importantly, the increase in VAT will also hit the public sector at a time when UK Government Departments are being asked to make swingeing cuts to their budgets. I should be very interested to learn whether the Treasury has calculated the effect of the VAT increase on the budgets of the devolved Administrations, and whether any consideration of the VAT increase has been made, given the stringent financial situation that the devolved Governments now face.

Furthermore, *The Guardian* estimated over the weekend that charities could face additional costs of £150 million per annum as a result of the VAT increase. Considering that they are the very bodies that will bear the brunt of dealing with the human cost of the economic downturn, I must note that slapping an extra bill on the activities of those vital life-support organisations is a very worrying indirect consequence of the proposal. For those reasons I urge the Committee to support amendment 13 when we vote later.

The Temporary Chair (Mr Hancock): In the absence of anyone else catching my eye, I call Mr Liam Byrne.

Mr Byrne: Thank you very much, indeed, Mr Hancock. This has been a good—

Alec Shelbrooke: On a point of order, Mr Hancock. Is it in order for the shadow Chief Secretary to the Treasury to make a second speech on the amendments?

The Temporary Chair: It is absolutely in order.

Mr Byrne: I am very grateful, Mr Hancock.

This has been a good debate. I know that the amendments have been grouped in a certain way because of how they interrelate, but none the less, having heard the debate and the contributions of right hon. and hon. Members, we will seek to divide the Committee on amendments 41 and 46, as well as on clause 3. I think that we will turn to amendment 35 in a moment.

This has been an important debate, because we have seen with greater clarity where not only Conservative but Liberal Democrat Members stand on the issue before us. However, the hon. Member for St Ives (Andrew George), looking at tax policy in the round, was right to say that the VAT rise has to be—in his words, I think—among the least welcome alternative proposals. He did not want to be drawn into the Chancellor's wider fiscal judgment, and that was unfortunate; instead, the hon. Gentleman wanted to debate the balance of measures in the Budget, and he sought a different balance. He could have made more of the fact that the Budget hits growth in this country so hard that an extra £9 billion of tax has to be raised to make up for lost growth.

The hon. Gentleman's hon. Friend, the hon. Member for Bristol West (Stephen Williams), confused us—perplexed us, slightly. I was not sure whether he was elected, appointed or anointed to the position from which he spoke, but he confirmed that he was speaking on economic affairs on behalf of Liberal Democrat Back Benchers, rather than Front Benchers. I was not sure whether that was a device for saying one thing and doing another, but he rapidly disabused us of that with his support for the Government's case. His was a strange argument, because he said he would not support our amendments to protect pensioners and others, as somehow our arguments lacked moral force. So there we have it: the party of Lloyd George is now so empty of moral momentum that it has to look to the Labour party for its source of ethical locomotion.

We heard some powerful speeches from Opposition Back Benchers. My hon. Friend the Member for Nottingham East (Chris Leslie) underlined the point that the Budget does not share out the pain, and that those with children, in particular, will be hit very hard. He was right to highlight the commentary in the City outlining the hit that retailers will take, and he had a very good phrase: VAT will be both regressive and regrettable. That is a good conclusion to our debate.

My hon. Friend's speech was echoed well by my hon. Friend the Member for Leeds West (Rachel Reeves), whose constituents, she said, earn just £16,000 a year. They will be hit very hard by this Budget, and that particular unfairness was highlighted by my hon. Friend the Member for Pontypridd (Owen Smith), who made an excellent point about the problem of irrecoverable VAT and how it will hit the national health service. My hon. Friends the Members for Caerphilly (Mr David) and for Hemsworth (Jon Trickett) also made excellent arguments about the hit on jobs. Of course, there has been some confusion about that from Government sources over the past couple of weeks, but the bottom line is pretty clear: employment will be much lower as a result of this Budget, in contrast with previous Budgets. The IMF, if we needed any help reinforcing the point, backed up that argument earlier.

We are having this debate ultimately because of the Chancellor's wrong-headed decision on the fiscal judgment. The Budget was so damaging that his own independent

[Mr Byrne]

advisers told him that they had no choice but to downgrade the country's growth forecast, and the IMF rapidly followed suit. Just when Britain needed a Budget to speed up the recovery or, at the very least, maximise its certainty, we were given a Budget that actually slowed the recovery down. The reason we were given was the strange behaviour in the markets, but in fact interest rates and long-term bond yields had been falling for some time before the election. This Budget entirely ignores that point. It hits growth so hard that it has to raise extra taxes, and that is before we address the impact on jobs.

We are still trying to get to the bottom of the changes to how the OBR forecasts job losses, but the Red Book's judgment was grim enough: 100,000 fewer people will be in work as a result of this Budget. That is because the Conservatives have reverted to type and decided that, just as in the 1990s, 1980s and 1930s, unemployment is a price worth paying. It is only a shame that the Liberal Democrat party—the party of Keynes—has abandoned its intellectual heritage and signed up to the economic doctrine of Lord Lamont, the man who famously sang in his bath as unemployment spiralled, "Je ne regrette rien."

All this follows from one decision—that of the Chancellor to bring forward by just a year the date at which debt as a proportion of GDP begins to fall. The price of that is a £40 billion increase in taxes and spending. It means that the Chancellor is now relying on a growth strategy for the next few years that is quite unlikely to come to pass. He has not hedged his bets; he has decided to hit domestic demand and consumption as hard as he possibly can. He is, I am afraid, going for broke.

That is why we object so strenuously to clause 3. I hope that the Government see fit to accept the amendments that we have tabled to try to protect people from its most egregious impacts. If they do not, I am afraid that we will have to vote against clause stand part

8 pm

Mr Gauke: In his Budget of 22 June, my right hon. Friend the Chancellor announced that the standard rate of VAT would increase from 17.5% to 20% on 4 January 2011. Clause 3 and schedule 2 effect this change. In the course of this afternoon, we have had a good and lengthy debate. Several hon. Members have spoken to amendments that would either cancel the rate rise entirely or reduce its effects. Of course, we understand hon. Members' concerns about the impact of this change on low-income households. I therefore propose to reiterate our reasons for taking this path, in the course of which I will deal with the various amendments.

Before doing so, it is necessary to point out that the VAT rise was one of the central measures in the emergency Budget—a Budget made necessary because the coalition Government have inherited from their predecessors the largest budget deficit of any economy in Europe with the single exception of the Republic of Ireland. The independent OBR's pre-Budget forecast revealed that the structural deficit—the part of the deficit that will not go away with the recovery—was higher than previously thought, at around £12 billion, or 0.8% of GDP, higher in 2011-12. That means that £1 in every £4 we spend is being borrowed. The gap stands at £149 billion for this financial year alone, yet the previous Government left us with no credible plans to reduce their record deficit. The OBR forecast that, if we had continued with the previous Government's plans, debt repayments would reach more than £67 billion by 2014-15—more than is currently spent on defence or on schools in England.

Nothing at this time is more urgent for Britain than setting out a tough but realistic plan that demonstrates how we will regain control of the public finances. We have literally no other option. The Government are therefore taking urgent action to eliminate the bulk of the structural deficit as a necessary precondition for sustained economic growth. High levels of public debt could lead to a loss of market confidence and higher interest rates, raising the cost of borrowing for families and businesses and discouraging investment and consumer spending. To continue with the existing fiscal plans would put the recovery at risk, given the scale of the challenge and the risk posed by the sovereign debt crisis in Europe.

My hon. Friend the Member for St Ives (Andrew George) asked about the Government's willingness to make hard choices. It is necessary to look at this VAT measure in the context of the overall Budget measures. It is not possible to remove it, because the central message of the Budget was that we have a Government who are willing to get to grips with the deficit and to bring our borrowing down, and if we are to address that quickly it is necessary to move forward with the VAT increase.

Andrew George: I understand that hard decisions need to be taken. Last night, when the Financial Secretary spoke to the British Bankers Association, he mentioned a new initiative—a proposed additional levy on banks in respect of their bonuses and profits. Does the Exchequer Secretary know what that might yield? I am sure that many of us in this House would prefer to see those who contributed most to getting us into this difficulty doing most to help us to get out of it, rather than levying rises in VAT.

Mr Gauke: I assure my hon. Friend that this Government are determined to raise as much as possible from the banking sector. He makes the very good point that it is right that those who got us into this mess should contribute significantly to getting us out of it. However, we need to move quickly to provide reassurance to international investors that the UK is a safe place in which to do business and that we will not be caught up in a sovereign debt contagion. His point is well made, but we still have no choice in needing to raise substantial sums of revenue in a certain way.

We were left with a very difficult choice as to whether to fill the black hole with yet more spending cuts or increase taxes. Further spending cuts would have made it impossible for the Government to protect the country's most essential services in the spending review. It is notable that, in the past couple of days, two of the candidates for the leadership of the Labour party have suggested that the previous Government's own plans on cutting spending went too far. The shadow Education Secretary has questioned whether they were seeking to cut the deficit too much by cutting taxes, while the shadow Health Secretary has said that they should have

looked more at raising taxes. I see no appetite on the Labour Benches for more spending cuts. The only other option would have been to raise taxes on corporate profits or on personal income, reducing the rewards for work at a time when hard work and endeavour must lead the recovery and ensure that we have a private sector-led recovery. We need to reduce the deficit in a sustainable way that does least damage to growth. While the bulk of the deficit reduction will come from spending, tax also has an important part to play.

We increased VAT rather than increasing income tax or national insurance contributions, which are probably the only other sources of revenue with the capacity to raise the necessary sums, because that was the least economically damaging way of doing this. Of course, we are not alone—*[Interruption.]*

The Temporary Chair: Order. It is very difficult for the Minister to hold the attention of the Committee with so much going on; he looks disturbed by the chattering. Can we give him a chance to finish his speech in peace?

Mr Gauke: Thank you, Mr Hancock.

Of course, we are not alone in reaching the conclusion that the right step is to raise VAT. With exquisite timing, we saw today the serialisation of Lord Mandelson's memoirs, in which he noted that the previous Chancellor had reached the conclusion that raising VAT was the right thing to do. Apparently, he told Lord Mandelson that he was

"minded to...raise it over time, to 18 or even 19 per cent, rather than push up national insurance charges."

Lord Mandelson tells us that he was "impressed" by this. He says:

"These were exactly the sort of hard choices that would enable us to regain the initiative."

Well, they did not take the hard choices and they did not regain the initiative—but we will.

The Budget has already had an impact on the credibility of British economic plans. As the director of the CBI has said:

"This Budget is the UK's first important step on the long journey back to economic health."

The Fitch rating agency said:

"The path of deficit reduction and public debt projections set out in"

the

"Budget statement are materially stronger than those set out in the March 2010 Budget."

I am afraid that I cannot accept amendments 13 and 14, tabled by the hon. Member for Dundee East (Stewart Hosie), which would prevent the VAT increase from happening. I have explained that we have no option other than to take this action, and I therefore ask the hon. Gentleman to withdraw them. Similarly, amendment 22, tabled by the hon. Member for Nottingham East (Chris Leslie), and amendments 54 and 55, tabled by my hon. Friend the Member for St Ives, would undermine the basic rationale for the increase. They would not allow us to reduce the deficit as quickly as we would like. I agree with the observation made by my hon. Friend the Member for St Ives that one would have expected the shadow Chancellor to support amendment 54.

I have a particular concern about amendments 22 and 55. One argument made for the temporary VAT cut by the previous Government was that it would shift expenditure into the relevant year, 2009, when the VAT rate was somewhat lower, and therefore accelerate the recovery. If we did the reverse of that and had a sunset clause, essentially setting out plans to increase VAT but with a promise that we would then reduce it, it would have the reverse effect. It would defer expenditure, which would damage the recovery.

I note the point made by the hon. Member for Foyle (Mark Durkan) about the Government's views on sunset clauses. The tax policy document that we produced is very good and has been well received, but the arguments for a sunset clause in the case of a rate change are not very persuasive, particularly given the economic effects that it would have.

Andrew George: The premise behind my amendments was that, as this is an emergency Budget, the VAT rise must be an emergency measure, which must surely be time-limited. Can the Exchequer Secretary confirm to the House that there is no intention of retaining the 2.5% rise for all the coming years of this Parliament?

Mr Gauke: We have announced the policy and the increase. All taxes are reviewed on an ongoing basis, and that will obviously be the position with VAT. However, for the reasons that I have set out, it would not be sensible to have a sunset clause. It would have a damaging effect on the pattern of expenditure.

Underpinning the Government's approach is a commitment to fairness. Consequently, the VAT increase will apply only to the standard rate, ensuring that the zero rate is maintained on everyday essentials such as food and children's clothing, and that the 5% rate on domestic fuel and power stays in place. It is also part of a wider Budget package in keeping with the Government's commitment to tackle the deficit while protecting the most vulnerable.

The VAT charge is part of a fair and progressive Budget, and the wider package contains a number of measures specifically intended to help the most vulnerable, in particular the increase in personal allowances by £1,000, the triple lock for increases in the basic state pension and the above-indexation increase in the child care element of the child tax credit. All sections of society will contribute to tackling the deficit, but the richest will pay more than the poorest. That has been supported by the chief executive of Barnardo's, who has said that

"we recognise the Government has done what it can to protect the most vulnerable."

Amendments 1 to 4 would provide that the rate increase would come into effect only after an impact assessment had been laid before the House. Similarly, amendment 25 would provide that before the rate increase took effect the Chancellor must produce a report on its impact on a number of specific groups. Amendments 41 to 43 are further variants on that theme, as is amendment 46. Together, they would provide that the increase be deferred until the earlier of 4 January 2012 or the date of the production of a report on the impact of the increase on disabled persons, pensioners, children and child poverty, inequality, the bottom quintile, charities and the informal economy.

[Mr Gauke]

Those amendments are unnecessary. At a time when the Government need to show a willingness to tackle the deficit and a sense of direction to ensure that there is confidence in the running of the British economy, it is vital that we have the credibility of bringing the VAT increase into effect as soon as possible. It is worth noting that the OECD has stated that the Government have demonstrated that they are taking courageous and appropriate action in the Budget. That is what we are doing, which is why it is right that we reject attempts to delay the implementation of the VAT increase.

Although we have not necessarily labelled all the material that we have produced on the matter as impact assessments, we have produced a great deal of material about the impact of the VAT increase and the Budget more generally. It would be damaging to businesses if we did not proceed, as they need the certainty that we will do so.

8.15 pm

I shall set out some of the impacts of the rise that we have already described. In annex C of the Red Book we set out the OBR's assessment of the economic impact of the Budget measures. The impact of the VAT increase is built into the inflation forecast in paragraph C.19. Paragraph C.23 sets out the impact on household demand and paragraph C.24 the impact on company profits. Paragraph C.5 sets out the OBR's view of the VAT tax gap, and paragraphs C.39 and C.64 explain that VAT is expected to fall as a percentage of GDP, because the OBR assumes rebalanced economic growth with consumption

[Interruption.]

The Temporary Chair: Order. I think it is in the best interests of the Chair and everyone here if we get a chance to hear what the Minister is saying. He is trying to express his point of view in answer to a very long debate, so let us have a bit of patience and let him finish his speech so that we can all hear it.

Mr Gauke: Thank you, Mr Hancock. I could go on setting out the lengthy list of information about VAT that we have provided. The Opposition's case that there has not been any analysis is all the more ironic given that Labour was the party that produced the doubling of the 10p rate of income tax and provided no distributional analysis whatever. We, however, have examined that particular tax change, and it is worth noting that the five bottom deciles lost out and the five top deciles gained. That is what our predecessors did, and it is not the case under the distributional analysis of VAT. As I have said, there is a strong case for looking at the expenditure basis, which shows that VAT is indeed progressive.

The impact on pensioners is a legitimate concern, but if the focus is on those with the lowest income, that needs to be considered in the context of the overall distributional analysis.

Amendment 23 would provide for children's prams, cots, nappies and other items to remain at 17.5%. I am afraid that that amendment is illegal under EU law, so we cannot pursue it. Amendment 40 would provide for the Treasury to produce a report on the standard rate of VAT by 4 January 2011. The Chancellor has made it clear that we have no plans in that regard.

Clause 3 makes provision for the standard rate of VAT to increase from 17.5% to 20% on 4 January 2011. That is an unavoidable measure, and I urge the Committee to reject the amendment, which risks the Government's plan to reduce the deficit.

Stewart Hosie: We have heard all the arguments over a long debate, but we remain convinced that this VAT rise is regressive, socially damaging and economically dangerous, and we invite many Members from across the House to join us in supporting amendment 13 to strike down the rise.

The Minister and his colleagues argue that the rise is necessary and inevitable. It is not necessary to increase the VAT bill for the poorest families by more than £31 a week; it is not necessary to put further pressure on those who will feel the burden of housing and unemployment benefits and tax credits being squeezed; it is not necessary, as the British Retail Consortium said, to introduce a "disappointing" measure that "will hit jobs"; and it is not necessary to introduce a measure that can push up prices on the high street and is inflationary.

It is necessary to tackle the deficit and the debt, but it need not be done over a fixed time scale using this methodology. It is far better to take a medium time scale approach that tackles it credibly. We think that the VAT rise is wrong, and I shall press amendment 13 to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 21, Noes 316.

Division No. 17] **[8.20 pm**

AYES

Campbell, Mr Gregory
Connarty, Michael
Corbyn, Jeremy
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Durkan, Mark
Edwards, Jonathan
Hosie, Stewart
Llwyd, Mr Elfyn
Lucas, Caroline
McCrea, Dr William
McDonnell, John
Ritchie, Ms Margaret
Robertson, Angus
Robertson, John
Russell, Bob
Skinner, Mr Dennis
Weir, Mr Mike
Whiteford, Dr Eilidh
Wilson, Sammy
Wishart, Pete

Tellers for the Ayes:
Hywel Williams and
Mr Angus Brendan MacNeil

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona

Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Carmichael, Mr Alistair
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Griffiths, Andrew
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunter, Mark
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Murray, Sheryll
Murrison, Dr Andrew
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
James Duddridge and Stephen Crabb

Question accordingly negatived.

The Temporary Chair: For the convenience of the Committee, I should explain that we are going to move directly to debate amendment 57, in the name of the hon. Member for St Ives (Andrew George). There will be further votes on amendments in the previous group, but they will come at the end of the next debate.

Andrew George: I am rather taken aback to be called at this moment, Mr Hancock—*[Interruption.]*

The Temporary Chair: Order. If Members are leaving, can they give Mr George the privilege of being heard?

Andrew George: Thank you, Mr Hancock—*[Interruption.]*

The Temporary Chair: Order. It is impossible for anyone to hear what Mr George is saying. Could I ask Members who are leaving—whether that is preferable or not is questionable—to go quietly?

Andrew George: Thank you, Mr Hancock, I will try again.

I beg to move amendment 57, in page 2, line 8, at end insert—

'(1A) The amendment made in subsection (1) shall not apply to:

(a) purchases of goods or services made by registered charities;

(b) purchases of goods or services made by public authorities;

(c) renovations of dwellings in council tax bands of F or below; and

(d) non-exempt fuel sold to permanent residents living in rural locations which the Chancellor shall, by order, define.'.

The Temporary Chair: With this it will be convenient to discuss the following: amendment 35, page 2, line 11, at beginning insert

'Subject to subsection (3A) below,'.

Amendment 36, in page 2, line 13, at end insert—

'(3A) The amendment made by subsection (1) shall not have effect in relation to any supply made on or after 4 January 2011 to a charity where such supply is made to that charity solely in relation to its charitable non-business activities.'.

Amendment 37, in page 2, line 17, at end add—

'(6) In this section, "charity" has the same meaning as in the Charities Acts 1993 and 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Act (Northern Ireland) 2008.'.

Amendment 56, in page 2, line 17, at end add—

'(6) The amendment made in subsection (1) shall apply only to purchases of goods and services at a cost of £25,000 or more, with the following exemptions:

(a) purchases made by registered charities;

(b) renovations of property;

(c) non-exempt fuel sold to permanent residents living at rural locations which the Chancellor shall, by order, define.'.

Amendment 58, in page 2, line 17, at end add—

'(6) The Treasury shall prepare a report into the impact of the rise provided for by subsection (1) on mountain rescue services in the United Kingdom and lay it before the House of Commons.'.

Andrew George: With the leave of the Committee, I would appreciate the opportunity to talk to amendment 56 as well as amendment 57, which stand in my name and those of my hon. Friends.

Amendment 57 proposes to exempt certain groups from the impact of the proposed 2.5% rise in VAT, so that it would not apply to

"purchases of goods or services made by registered charities ...purchases of goods or services made by public authorities,"

or to

"renovations of dwellings in council tax bands of F or below".

The purpose of the amendment is to further the debate on an issue that I have been probing in both the Budget debate and in debates on the Finance Bill. In spite of the great speed at which the issues have been considered, we have had the opportunity both to review the evidence brought forward by the Treasury to support the proposed VAT increase and to discuss this with some of those affected in the sectors concerned.

I do not intend to detain the Committee for too long, but on charities, a certain amount of work has been under way for some time. It is perhaps worth while acknowledging that Governments of both parties over the past couple of decades have looked into the problem that the charitable sector has had with irrecoverable VAT. A number of attempts have been made to address it, and although charities have not been able to secure a special VAT status, the best way in which Governments have felt that they could be compensated—in the past, at least—has been through the gift aid mechanism. It is clear from the Exchequer Secretary's answers to questions that I have asked previously about the impact of the VAT rise on charities that the Treasury does not intend to make any exemptions for them.

The Charity Tax Group has published a paper since the Budget suggesting that an increase in VAT to 20% would cost around £150 million. Although I have not studied the analysis, I believe that that figure was arrived at on the basis of an extrapolation from 87 charities across the range of sizes. If the Government believe—and I would agree with them—that the charitable and third sector has a significant contribution to make to a number of social and economic measures to improve our society, they need to give it some consideration in the Budget.

As for the second of the measures, I know that various attempts have been made to estimate the likely impact of the VAT rise on public authorities. I have questioned local housing associations, for example, including Penwith housing association in my constituency—a relatively small housing association, but one covering the bulk of the stock in the Penwith peninsula, which is the Land's End peninsula, to most people who understand the geography of Cornwall; that is, the bottom left-hand corner of the UK. Penwith housing association has estimated that the VAT rise will add just over £150,000 in costs to its modest activities over the year, and that will affect it, as a local housing association performing an important public function.

Bob Russell: (Colchester) (LD): Will my hon. Friend confirm that the small charity to which he has just referred was in no way responsible for the financial mess that the country was left in by the previous Government?

Andrew George: I am grateful to my hon. Friend for that intervention. He might have missed some of our earlier exchanges on these amendments, but it is fair to say that concerns have been raised about the way in which the Budget gets the balance right, and the way in which we might achieve circumstances in which those who did the most to drop the country into this mess were seen to be doing the most to pull it out again. This has been a theme throughout our debate.

I reflected earlier on news that was reported today. I was not at the British Bankers Association dinner last night when the Financial Secretary to the Treasury proposed certain new measures that were not in the Budget. They would result in additional taxation of the banks' bonuses and profits. That would be over and above the banking levy, which Liberal Democrat Members were particularly pleased to see incorporated in the Budget.

I do not wish to stray beyond the subject matter of the amendments, Mr Hancock, but if we are talking about removing the capacity of the Budget to increase the tax yield in a particular area, it is important to indicate where we might recover that tax from. For example, we should perhaps be looking at a banking levy of 0.04%, going up to 0.07%, possibly with a view to increasing it. I welcome last night's announcement by the Financial Secretary to the Treasury, however, and I hope that we shall hear more about that matter, because I think that it is taking the policy in the right direction.

Mr Adrian Sanders (Torbay) (LD): I congratulate my hon. Friend on tabling the amendment. Has he made any assessment of the churning of Government money that goes into the charitable and public sectors and that will now be paid back through the increase in VAT?

Andrew George: My hon. Friend is asking me whether I have made that assessment, but I have in fact been seeking such an assessment myself. As I mentioned a moment ago, the Charity Tax Group has made its own assessment based on a survey of 87 charities. That is a modest attempt, but it is also a significant effort on behalf of the charitable sector to undertake its own assessment and to extrapolate information from it. I believe that that assessment took a reasonable random sample across a range of charities, and that is probably the best that the group could manage in the circumstances.

Alun Michael (Cardiff South and Penarth) (Lab/Co-op): I do not want to embarrass the hon. Gentleman, who has been a vigorous champion of the voluntary sector over the years. However, according to his own words, £150 million is going to be extracted as a tax on charities as a result of these measures. He says that the Treasury is unwilling to make concessions. Does he not find that unacceptable?

Andrew George: If we are seeking to make that kind of point, it is worth pointing out to the right hon. Gentleman that when Labour was in government, it did very little to address the problems in that sector. I am concerned that families across various income groups will be affected by the proposals, and we have still not received sufficient information about the impact on those groups. This question has dominated much of our debate, and other sectors of society, including charities, public authorities and those involved in building renovations, will also be affected.

Alun Michael: I dare say the hon. Gentleman feels obliged to make some party political points, but would he not acknowledge that the creation and expansion of gift aid gave a massive boost to the charitable and voluntary sector over many years, and that that is just one of a large number of issues that the previous Government did address? It is his Government who are responsible for the fresh burden placed on this sector by the Budget, so why does he not find it unacceptable?

8.45 pm

Andrew George: I have already acknowledged the benefit of gift aid as having an ameliorating impact on the consequences of irrecoverable VAT for charities; that reasonable point has already been acknowledged. At the end of the day, this issue needs to be addressed, but I do not want to go back to a Second Reading debate on how we get the proper balance of measures. I would have thought that, across the Committee, the balance of Members would agree, as I do, with what the Chancellor announced on Budget day—that those most capable of making a contribution should pay most and the vulnerable should be protected. The VAT rise raises questions about whether the vulnerable are sufficiently protected by the range of measures in the Budget as a whole.

Kate Green (Stretford and Urmston) (Lab): I welcome much of what the hon. Gentleman says about the importance of looking at a balance that achieves protection for the most vulnerable, but one problem with increasing the burden on charities is that it feeds through to the most vulnerable because they are, of course, their client group. Many charities will be either unable or reluctant to pass on to their service users the consequences of this VAT rise, so they are likely to eat into their own reserves, weaken their own financial standing and, ultimately, get hit with the additional whammy of finding it more difficult to attract funding from other sources, including those in the public sector. That will reduce their impact—their very good impact—on the most vulnerable in society.

Andrew George: The hon. Lady makes the point about the potential impact on charities rather more articulately than I think I am making it. There are potential knock-on consequences for charities, and for public authorities, in being able to perform their functions, so it is important to address those issues.

Finally, on the renovation of buildings, the primary purpose is to distinguish between the treatment in VAT law of new build and of renovation. I am seeking to probe that subject in order to elicit a response from the Exchequer Secretary. Surely we as a society should be trying to encourage renovation of existing buildings rather than always taking up greenfield sites for development. In particular, we should not discourage improvements to dwellings in the lower council tax bands.

Sir Alan Beith (Berwick-upon-Tweed) (LD): Does my hon. Friend appreciate that there are cost-neutral ways of removing that imbalance, which are always opposed by the volume builders—despite the fact that there is not much volume building going on. The renovation of

[Sir Alan Beith]

existing properties could contribute a great deal more to dealing with homelessness if both kinds of activity were taxed at the same, relatively low, VAT rate.

Andrew George: I agree entirely with my right hon. Friend. We are limited in what we can achieve by amending this Bill, as I know because I went to the Public Bill Office and sought advice about what was possible. I cannot suggest the introduction of entirely new measures, but my right hon. Friend is absolutely right to say that if we were able to range freely with amendments to the Finance Bill, we would have opportunities to revisit this issue in a new way.

Simon Hughes (Bermondsey and Old Southwark) (LD): This issue is a long-standing subject of debate. Following what was said by my right hon. Friend the Member for Berwick-upon-Tweed (Sir Alan Beith), may I suggest that it would be helpful to hear from Ministers later whether they have considered revenue-neutral ways of taxing renovation as opposed to new build? Are there not very good environmental reasons, very good energy-saving and green reasons, and very good land use and planning reasons, for continuing to use existing sites rather than building on new greenfield sites?

Andrew George: I am grateful to my hon. Friend for making that point. I hope that the Exchequer Secretary is listening carefully, and will respond to all the points raised in relation to this amendment and others that deal with the same issue.

John Hemming (Birmingham, Yardley) (LD): I should declare my interests. I am a senior partner in VAT-registered organisations, one of which writes computer software that calculates VAT. A need for complicated VAT calculations would, of course, provide us with lots of money, but I have some concerns about the practicality of my hon. Friend's proposals, although I agree with the principles. Is this a probing amendment, or does my hon. Friend intend to press it to a vote?

Andrew George: I think I can reassure my hon. Friend that it is a probing amendment. It was put together at some speed, and I believe it is technically deficient, in ways to which I shall not draw attention. *[Interruption.]* No doubt others will. I hope, however, that the Exchequer Secretary will concentrate on the issues raised by the amendment rather than on its technical deficiencies, which I fully acknowledge.

Amendment 56 seeks to achieve the same aim, but introduces a new concept. It proposes that the increase should apply only to purchases of more expensive goods. For the purposes of the debate I have set the level at £25,000, although I could have suggested that VAT on goods and services costing that amount should rise by a great deal more. There may also be an argument for a range of charges for goods and services between £2,500 and £25,000.

The level, as such, is not something that I would die in a ditch to defend. I am concerned simply with the principle of adopting a measure intended to achieve what the Budget stated that it wished to achieve, by ensuring that those who can contribute most to restoring the public finances do so and the vulnerable are protected. Those who can buy expensive yachts, big Ferrari cars and other expensive consumer durables may be more able to make their contribution through a rise in VAT than the vulnerable households and individuals who have, I believe, been the predominant concern of Members on both sides of the House.

I do not expect the Exchequer Secretary to accept the amendment without question this evening. However, I shall be interested to hear his response to the general theme. It has been acknowledged—certainly by the Institute for Fiscal Studies—that the lowest decile in terms of household income will pay a higher proportion of their income to meet the proposed tax rise, but I hope that a measure to reduce its impact on those with modest and low incomes will be acceptable to the Treasury, either now or in the future.

John Hemming *rose—*

Andrew George: I am sure that my hon. Friend wants to point out another technical deficiency in the amendment.

John Hemming: Does my hon. Friend accept that expenditure deciles, which address the size of a household's budget, are a better guide to the wealth of a household than income?

The Temporary Chair (Mr Mike Hancock): Order. That is not relevant to this debate.

Andrew George: I am grateful to you for your advice, Mr Hancock. As I do not know all that my hon. Friend was going to say on this issue, I cannot respond to his remarks.

Mark Durkan *rose—*

Andrew George: These two amendments are clearly probing amendments. The intention is to take further my concerns in respect of assessments on groups other than low-income households.

Mark Durkan *rose—*

Andrew George: As the hon. Gentleman has been so assiduous in trying to intervene, I will give way to him.

Mark Durkan: I thank the hon. Gentleman for being so generous in giving way. May I probe him on his probing amendment? He has picked £25,000 as the sum at which the higher rate of VAT would be charged on goods and services. Has he picked that sum so that the seats purchased by Lord Ashcroft would be subject to the higher rate of VAT, or would they fall just outside that?

Andrew George: The hon. Gentleman has greatly entertained us with his intervention, but I do not think I will respond to it—especially as if I were to do so I think that you would probably rule me out of order, Mr Hancock.

In summary, I wanted to highlight the knock-on effect of VAT on public authorities and charities and, as many of my party colleagues have also done, the impact on building renovation. That sector could be substantial,

and we should be encouraging it, not discouraging it. We should also seek measures that protect vulnerable households and people on low incomes—and that is the purpose behind my amendments.

Several hon. Members *rose—*

The Temporary Chair: The Chairman of Ways and Means has selected these amendments and has grouped them very narrowly. I hope that Members will respect his wishes by addressing them as they are grouped on the selection list.

Mr Byrne: I rise to speak to amendments 35, 36, 37 and 58, tabled in my name and the names of my hon. Friends.

This debate has already shed a great deal of light on the impact of this hasty rise in VAT. Over the course of the afternoon we have heard about the impact of the rise on a number of groups about which we are all concerned. We heard about the impact on jobs, the economic recovery, the low-paid and pensioners, and this group of amendments offers us an excellent chance to examine the impact of this rapid rise in VAT on Britain's charities. I will not speak at length, but I want to make a few quick points.

Amendments 35, 36 and 37 seek, in essence, to stop the VAT increase applying to the goods charities buy in to deliver what is called their "charitable non-business activities", and for which they cannot then charge VAT. I know about the difficulties of protecting charities from VAT altogether, and I am sure that the Exchequer Secretary will return to that point, but this is an important debate that we have been pursuing for some time.

I know that many charities want to be classified like, for example, local authorities, which do not have to pay VAT in the same way. Many groups, including the Association of Chief Executives of Voluntary Organisations, have been arguing for some time that in the competitive provision of services, especially in the public sector, local authorities are often at an advantage compared with charities and third-sector organisations.

Ian Lucas (Wrexham) (Lab): Does my right hon. Friend not agree that, in a sector in which charities are being encouraged to play a larger role in delivering services that are often supplied by local authorities, that distinction is particularly inappropriate?

9 pm

Mr Byrne: This is a particular problem, and I was about to pay tribute to my hon. Friend, who has done some important work with the Library in helping us to understand what this VAT increase will actually mean for Britain's charities. I also commend the work of the Charity Tax Group, which the hon. Member for St Ives (Andrew George) prayed in aid. Its assessment is pretty blunt—that this increase will cost Britain's charities £140 million to £150 million. Because much of that VAT cannot be reclaimed, Britain's charities stand to lose £60 million to £70 million. That is a lot of money, and certainly a lot for charities that are already struggling with contributions, which are down because of the recession. Many in the sector are worried about how voluntary contributions will rebound as the recovery sets in.

Others who read the research will, like me, have been struck by the Charity Tax Group's case study of Action for Blind People, one of the largest charities in the UK, which provides free and confidential support for blind and partially sighted people. The study makes the point that the rise in irrecoverable VAT for Action for Blind People will total some £100,000 a year. Charities in that sector that are about to take such a hit must immediately look at which services they can no longer offer. That gives rise to a question that will concern Members in all parts of the House, and which demands an answer: how are these charities going to be compensated for this hasty increase in VAT?

The increase appears to hit smaller charities hardest—a point made by both the House of Commons Library and the Charity Tax Group. They say that smaller charities such as those with an income of less than £30 million will be hit, as VAT currently accounts for some 3.6% of their income, compared with 2.3% for larger organisations with an income of more than £30 million. In other words, this VAT increase will create a greater gulf between bigger charities and smaller charities. That is obviously a concern because, as my hon. Friend the Member for Wrexham (Ian Lucas) pointed out, there is a big push on at the moment to ensure not a narrower role but a wider role for smaller charities in delivering public services.

Stephen Williams: We will all agree that the whole area of charity taxation needs serious examination in this debate, and perhaps the Government will review it in future. However, perhaps the right hon. Gentleman will remind us whether, in the 13 years in which the Labour Government were in office, they exempted the charities from the proposed increase in national insurance. In fact, it cost charities a lot. During consideration in Committee of what became the Finance (No. 2) Act 2005—it was the first Finance Bill Committee I served on—charities complained a lot about the Labour Government restricting the scope of gift aid. They did not help charities out then. When income tax was reduced, they did not allow charities to recover the difference. This enthusiasm for protecting charities from tax changes is therefore somewhat new-found on Labour's part.

Mr Byrne: With respect, the hon. Gentleman is making a partisan point in a quite unfair way. I was about to make a point on which I hope there is consensus in the Committee. We all now know what the impact of the VAT increase on charities will be, and all of us will be worried about the impact we foresee on smaller charities. The truth is that there is strong cross-party consensus on the need to support charities further.

I was studying this afternoon not just the rhetoric but the reality set out in some of the manifestos put before the country at the election. The Conservative manifesto said:

> "Britain has a proud and long-standing charitable tradition, and we are convinced that the voluntary sector should play a major part in our civic renewal."

The Conservatives' specific proposal was to

> "introduce a fair deal on grants to give voluntary sector organisations more stability and allow them to earn a competitive return for providing public services."

[Mr Byrne]

The Liberal Democrats had a slightly different take on the right policy prescription, as page 85 of their manifesto talks about the need to reform gift aid still further. They proposed that it should

"operate at a single rate of 23%—giving more money to charity while closing down a loophole for higher rate tax payers."

Labour Members are very proud of our record in supporting the third sector in this country. Over the past 10 years, we doubled the amount of public sector income going to the third sector and Britain's charities, from £5.5 billion to more than £11 billion. So although we had not finished the job of sorting out VAT, what we had delivered was a doubling of income going into the charitable sector in this country. That was the biggest single increase in income going to the third sector in this country almost on record. In the past 10 years that meant that the sector was stronger in taking on public service delivery contracts. Indeed, those contracts with the third sector doubled since 2000 and by the time Labour left office there were about 60,000 social enterprises, worth £8.5 billion. We are proud of our record.

Mark Durkan: My right hon. Friend referred to the level of funding that the Labour Government achieved for the third sector. What does he think will be the implications for that funding of the announcements to be made on 20 October? Should not the Committee be considering the impact on charities of the spending decisions that are coming down the tracks, as well as the taxation impact?

Mr Byrne: As ever, the hon. Gentleman is on the money. If departmental cuts, particularly to the Cabinet Office, are between 25% and 40%, the impact on public funding for third sector organisations in this country will be devastating. We can all see this coming ahead of us—we can all see this train coming—so these amendments seek to ensure that a report is set out by the Treasury before the VAT hike is introduced. I hope that a bit of good old-fashioned common sense will prevail this evening, and that we will be able to agree to them.

I understand that this measure is being introduced at haste. It is perfectly plausible to suggest that the Treasury did not foresee it, and there is something we can all do this evening to ensure that charities are protected from unintended consequences. We ask the most unreasonable things of Governments—we cannot expect them to have the power of omniscience—but we can agree this measure in a way that protects charities.

The final point that I wish to make relates to amendment 58, which touches on one particular group of charities—mountain rescue charities—and on which some expectations have been set.

Tony Cunningham (Workington) (Lab): May I tell my right hon. Friend just how delighted I am that he has raised the issue of mountain rescue teams in amendment 58? The emergency services are often praised for the tremendous work that they do, but the mountain rescue teams are a sort of forgotten emergency service. No better example of this could be given than what happened last November during the floods, when the Cockermouth mountain rescue team saved people's lives and did an incredible job.

Mr Byrne: My hon. Friend has pretty much made my argument for me. All of us know what an extraordinary service mountain rescue provides. Of course these charities confront a particular problem when using gift aid to provide compensation for the kind of VAT hit that they are about to take, because when someone is collecting money through tins it is sometimes difficult to collect gift aid on the contributions that they receive. So amendment 58 seeks to extend protection to mountain rescue services in England and Wales by, again, asking the Treasury to prepare a report on the impact of the VAT hike on their services. These are common-sense amendments, which draw on a strong cross-party consensus that has developed over the past few years. I hope that the Government are able to support them.

Ian Lucas: I was motivated to highlight this particular area because of the importance of the voluntary sector in my constituency. I suppose that I am not at all alone in having a vibrant and important sector in my constituency. We constantly hear of the good work of the charitable sector from hon. Members from all parts of the House. We hear of the good work of the charitable sector from the Prime Minister in particular. He spent much time before the general election talking about the big society and how he would want to extend the work of the voluntary and charitable sector if he had the opportunity to move into government. It was therefore with profound distress—but no little surprise—that when the Budget came, I saw the VAT rise that inevitably follows the election of a Conservative Government. Of course, that rise affects the charities in our constituencies. I want to talk about two of them briefly in the context of the amendments.

The first is called Chariotts, a charity in the Wrexham constituency that transports individuals who have disabilities. To put it simply, those individuals pay the fares, and the effect of the VAT increase on that charity is that, as it is becoming registrable for VAT, it will have to charge VAT to its clients. Those individuals, who receive disability benefits, will be asked to pay more to obtain the same service from the charity. That is causing the charity some distress and I have spoken to its representatives about the issue.

John Hemming: Is that change a result of the charity's becoming larger and becoming registrable, or is it a result of the changes in the Budget?

Ian Lucas: The 2.5% VAT increase that Government Members will march through the Lobby to support will mean that those individuals, who are receiving disability benefits, will have to pay more money from their own pockets to the Government. I understand the hon. Gentleman's comment, but the point is that more money is being paid by individuals who receive disability benefits because of the decisions of the Liberal Democrats and the Conservatives.

John Hemming: Is the hon. Gentleman not aware that with the uprating by CPI, people in claimant households will be on average 1% better off after the uprating as a result of the VAT change?

Ian Lucas: I think that I should wait to see the position in due course. I have no doubt that as a result of the decisions of the Government parties my constituents, particularly those on lower incomes, will be worse off.

Additional burdens will be imposed on the most vulnerable in our communities. That was not something we heard from the Conservatives before the general election—they did not say that they were going to increase VAT, although I always expected them to do it. When the Liberal Democrats sit there supporting the Conservative-Liberal Democrat Government who are increasing VAT, it fills me with disdain because, of course, they campaigned against that increase in VAT. Their councillors in Wrexham go along to events such as those with Chariotts, which is an organisation that they support locally, yet the Liberal Democrats will impose a financial burden on that charity as a result of their support for this change.

Phil Wilson (Sedgefield) (Lab): It is the same in Sedgefield. There is a very small charity that I visited on Friday, called the LADDER centre, in Ferryhill. A simple £200 or £300 increase in the VAT it has to pay could see it go under. This problem obviously exists not just in my hon. Friend's constituency but across the country.

Ian Lucas: These charities are very important across the country. Of course, another charity in my constituency that I have approached about this matter—the Nightingale House hospice—has said that as a result of the Budget it will have to find £10,000 to care for the sick people whom it looks after. That is the consequence of the Budget that is being supported by the Liberal Democrats and the Conservatives. This is a specific aspect of that Budget: the penalty that is being imposed on charitable organisations that the parties opposite purport to support.

Politics is all about choices. That is what we are paid to come here to make. The choices that a party makes when it gets into a position of power tell us a great deal about that party. The Liberal Democrats and the Conservatives are choosing to lower the rate of corporation tax, which will apply to the banks that we were talking about last night. While we were having that debate, the Financial Secretary to the Treasury was elsewhere delivering an after-dinner speech, but he should have been here, telling the House about what he is proposing in respect of a banking levy.

9.15 pm

The Liberal Democrats and the Conservatives support a cut in corporation tax for Barclays bank, the Royal Bank of Scotland and all the companies that have benefited from the support that the Government have given. They also support a VAT increase that they know will inflict financial pain on charities that are committed to serving the most vulnerable in our communities. Those parties can make those choices because they are in government, but people will remember. We expect such choices from the Conservatives, but perhaps we do not expect them from the Liberal Democrats.

If the Conservatives and the Liberal Democrats make those choices, we will make sure that all our constituents know where they stand. We all know that organisations such as hospices are among the most valued organisations in our communities—that is why the Prime Minister talks about the third, or voluntary, sector. The Government parties should be aware that what they are doing tonight is inflicting financial pain on those organisations, and they should be ashamed.

Mr Gauke: Amendments 35 to 37 aim to remove supplies to charities for non-business purposes from the scope of the VAT increase. Similarly, amendment 56 would mean that the increase would apply only to supplies costing £25,000 or more, and that it would not apply to purchases made by charities for renovations of property or of fuel sold to residents of rural locations. Amendment 57 would add supplies to public authorities to the list to which the increase will not apply and is a little more specific about the type of renovations that would be excluded from the increase.

Both those groups of amendments would be illegal under EU law in so far as they would effectively create further reduced rates of VAT in categories that are not on the list of permitted reduced rates. They would also impose a considerable administrative burden on the businesses supplying the goods in question, as they would mean that any business supplying goods or services would have to ascertain first whether a customer is a charity and, secondly, the use to which the customer would put those goods or services. In the light of the customer's answer to those questions, the VAT rate would be either 17.5 or 20%, unless the supplies were eligible for the reduced rate or the zero rate.

Bob Russell: Will the Minister give way?

Mr Gauke: Before I do, I note the spirit in which my hon. Friend the Member for St Ives (Andrew George) tabled his amendments, in an attempt to probe this matter, so I do not criticise him. He has acknowledged that his proposals were not technically watertight, but they none the less enabled us to debate this matter.

Bob Russell: Can the Minister tell me where the coalition agreement says that charities will be disadvantaged by Government policies? Can he explain what percentage of the total increase in VAT will be borne by the charitable sector?

Mr Gauke: The coalition Government are very keen to support charities. At the moment, charity tax reliefs are worth something like £3 billion a year.

We are looking to encourage charitable giving. However, the essential problem—I am sorry to have to keep coming back to this central point—is that we have a crisis in the public finances. We know that the measure is unwelcome, and it is regrettable that charities, among other groups, will have to pay more in tax and will not be able to recover all of it. There is not a great deal of flexibility in the VAT system. I have to come back to the point that was rightly made by my hon. Friend the Member for Bristol West (Stephen Williams). Employers' national insurance contributions are also going to hit charities hard. Many small charities in my constituency have raised that particular concern, but the fundamental issue is the state of the public finances and the need to address it.

The hon. Member for Wrexham (Ian Lucas) argued that we could increase corporation tax, but I am afraid that that would be short-sighted because it would prevent a strong private sector recovery.

Andrew George: The primary point that I raised was the impact on charities, which is dealt with by proposed subsection (1A)(a) in amendment 57. The Exchequer

[Andrew George]

Secretary said that some of the impact would be ameliorated through gift aid, but he needs to acknowledge that larger charities with the necessary bureaucracy can take advantage of gift aid, but smaller ones more often than not cannot. A number of other charities equally cannot take advantage of it. Is there anything that he can say about ways in which the impact of the VAT rise on charities can be ameliorated?

Mr Gauke: We are looking at what we can do to simplify the gift aid system so that charities of all sizes can make use of it. Some smaller charities do well out of gift aid. We want to do all that we can to strengthen charities, but the fundamental fact is that VAT is the right tax in these circumstances to raise additional revenue. There are restrictions within the VAT system as to what we can do to protect charities from that tax, but the Government as a whole remain committed to assisting charities as much as possible.

I should like to take the opportunity to respond to the comments made by the hon. Member for Bermondsey and Old Southwark (Simon Hughes) and my hon. Friend the Member for St Ives about the tension between renovation and new build and the incentives for them. I know that the Liberal Democrats have campaigned consistently on that matter for several years. As a Government we will continue to keep it under review. They make their case well.

I am aware that mountain rescue services have drawn the attention of a number of hon. Members to the case for exempting their vehicles from vehicle excise duty or extending their reliefs from VAT. I am sure that all of us in the House have huge respect and admiration for the work of the mountain rescue services and recognise the valuable contribution that they make to the safety of those enjoying the countryside. The case is well understood on both sides of the House, but as the Committee will no doubt be aware, mountain rescue teams, like other search and rescue charities, benefit from VAT reliefs on some but not all goods and services that they purchase. Such charities are also able to purchase free of VAT medicines, medical equipment including first aid kits, splints and stretchers, ambulances and certain vehicles designed to transport disabled people.

The mountain rescue teams also benefit from other VAT zero rates that apply to all charities. All of those zero rates are derogations from the normal EU VAT rules and represent benefits not enjoyed by charities in other member states. The mountain rescue teams estimate that they still pay something like £200,000 in irrecoverable VAT per year. However, it is well understood that there is no scope within the framework of long-standing EU VAT law for relieving more of their purchases from VAT, which is why the previous Government did not do so, despite receiving representations on a number of occasions. It would, therefore, serve no useful purpose to produce a report on the impact of the VAT increase on the service. It is argued that there could be a refund for the VAT costs, which is a public expenditure choice that I am sure the shadow Chief Secretary—formerly the Chief Secretary—was conscious of in his previous post, and we know what happened then.

Bob Russell: Where there's a will, there's way. The Treasury could find a way of offsetting the cost for the mountain rescue services, just as the Labour Government found a way of offsetting the VAT that would have been put on poppies if they had continued with a particular piece of legislation.

The question I put earlier has not been answered. What is the percentage of the VAT increase to be borne by charities in relation to the total increase that will be collected if VAT rises to 20%?

Mr Gauke: It is not possible to answer that question in a precise form.

In the light of the points I have made, I urge my hon. Friend the Member for St Ives and the shadow Chief Secretary to withdraw their amendments.

Andrew George: We have had a very good debate. It has certainly been well worth probing issues on charities, public authorities and building renovation. I particularly appreciated the contribution of the shadow Chief Secretary, which was less partisan than in the past and added much to the debate and consideration of the issues.

I apologise to the right hon. Member for Cardiff South and Penarth (Alun Michael). During his two interventions on me I failed to acknowledge his significant contribution to the voluntary sector over many years. I should have taken the opportunity to acknowledge his sterling work for the third sector and the voluntary sector.

The hon. Member for Wrexham (Ian Lucas) added a great deal in terms of some of the material he referred to, particularly from his constituency, but his speech was disappointingly partisan. I am rather surprised by that on the day when Lord Mandelson let the cat out of the bag on Labour's defence that they would not have introduced a VAT increase after the election. It must be rather difficult for Labour Members to swallow this evening, given all the butter that is not melting in their mouths.

The Exchequer Secretary said that he will keep a number of issues under review, which is encouraging. I shall certainly be pressing him and Treasury Ministers to ensure that they do so for the three issues that have been raised in the debate. As I indicated earlier, I intended the amendments to be probing, as they have been, so I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendment proposed: 35, in clause 3, page 2, line 11, at beginning insert

'Subject to subsection (3A) below,'.—*(Mr Byrne.)*

Question put, That the amendment be made.

The Committee divided: Ayes 243, Noes 321.

Division No. 18] **[9.29 pm**

AYES

Abbott, Ms Diane	Begg, Miss Anne
Alexander, rh Mr Douglas	Benn, rh Hilary
Alexander, Heidi	Berger, Luciana
Ali, Rushanara	Betts, Mr Clive
Allen, Mr Graham	Blackman-Woods, Roberta
Anderson, Mr David	Blears, rh Hazel
Bailey, Mr Adrian	Blenkinsop, Tom
Bain, Mr William	Blomfield, Paul
Banks, Gordon	Blunkett, rh Mr David
Barron, rh Mr Kevin	Bradshaw, rh Mr Ben
Bayley, Hugh	Brennan, Kevin
Beckett, rh Margaret	Brown, rh Mr Nicholas

Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clwyd, rh Ann
Cosker, Vernon
Coffey, Ann
Connerty, Michael
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Elford, Clive
Elliott, Julie
Elman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Hain, rh Mr Peter
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodgson, Mrs Sharon
Hoey, Kate
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana R.
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Macteggart, Fiona
Mahmood, Shabana
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh Edward
Miller, Andrew
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Robertson, Angus
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Russell, Bob
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Singh, Mr Marsha
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Woolas, Mr Phil
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Lyn Brown and Kerry McCarthy

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Carmichael, Mr Alistair
Carmichael, Neil
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James

Clark, rh Greg
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hunter, Mark
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Osborne, rh Mr George
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Stephen Crabb and Norman Lamb

Question accordingly negatived.

Amendment proposed: 41, in clause 3, page 2, line 13, at end insert

'unless the report referred to in subsection (6) has not been completed, in which case the date shall be 4 January 2012.'.—*(Mr Byrne.)*

Question put, That the amendment be made.

The Committee divided: Ayes 241, Noes 321.

Division No. 19] **[9.43 pm**

AYES

Abbott, Ms Diane
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Hain, rh Mr Peter
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodgson, Mrs Sharon
Hoey, Kate
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana R.
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meams, Ian
Michael, rh Alun
Miliband, rh Edward
Miller, Andrew
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
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Vaz, Valerie
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Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Woolas, Mr Phil
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Kerry McCarthy and Lyn Brown

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
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Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin

Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Cable, rh Vince
Cairns, Alun
Carmichael, Mr Alistair
Carmichael, Neil
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunter, Mark
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Loprest, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Osborne, rh Mr George
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger

Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
James Duddridge and Norman Lamb

Question accordingly negatived.

Mr Byrne: I beg to move amendment 38, page 2, line 16, leave out subsection (5) and add—

'(5) Schedule 3 to the Finance Act 2009 shall have effect for the purposes of supplementing this section, with the following changes:

(a) in paragraph 1(2), "the date of the VAT change" shall be amended to refer to 4 January 2011.

(b) in paragraph 8, the reference to section 839 of ICTA shall be amended to refer to section 1122 of CTA 2010.

(c) omit paragraph 11.

(d) renumber paragraphs 12 and 13 as 11 and 12 respectively.

(e) insert new paragraph 13 as follows:

"Condition D cases involving hire purchase, conditional sale or credit sale of goods

13 There is no supplementary charge under this Schedule on a supply of goods within paragraph 2 if—

(a) the only relevant condition met is condition D,

(b) the VAT invoice—

(i) relates to a supply of goods made under a hire-puchase, conditional sale or credit sale agreement,

(ii) forms part of that agreement, and

(iii) is issued in accordance with normal commercial practice in relation to a supply made under such an agreement, and

(c) the basic time of supply of the goods is intended and expected to be within 6 months of the date of the VAT invoice which relates to the supply."

(a) replace the existing paragraph 14 with the following:

"Normal commercial practice

14 In this Part of this Schedule, "normal commercial practice", in relation to a supply or grant of a right, means—

(a) normal commercial practice of the supplier or grantor at a time when an increase in the rate of VAT in force under section 2 of the VATA 1994 is not expected, or

(b) if the supplier or grantor has no such practice, the normal commercial practice of suppliers making similar supplies, or granters granting similar rights, in the United Kingdom at such a time.".'.

I do not intend to detain the Committee long. Amendment 38 is a simplification measure to probe the Treasury a little on how it has sought to introduce its anti-forestalling legislation. The Budget made great play of the simplification credentials that the Government wanted to present to the House and convince us with. Obviously, the Finance Bill, as presented, does more to complicate than to simplify the tax system. With the change in the VAT rate, there is a need for anti-forestalling legislation controlling supplies made in anticipation of a change in the rate. The amendment would replace the Government's clauses with the same form of clauses used in the Finance Act 2009, and seeks to probe the Government on why they have chosen to introduce a whole new schedule rather than simply to amend a couple of words in a perfectly good schedule that has already passed into legislation.

Mr Gauke: As we have heard, amendment 38 seeks to take anti-forestalling legislation introduced in the Finance Act 2009 for the reversion of the standard rate to 17.5% on 1 January this year, and use it to prevent forestalling as a result of next January's rate increase. That appears to be a simple approach, but in fact it would render the earlier anti-forestalling provisions inoperative and leave us wide open to a loss of revenue on transactions spanning 1 January 2010. Schedule 2 was closely modelled on the measure used when the rate reverted to 17.5% on 1 January 2010 and is intended to operate in the same way. There are no changes of substance and no hidden amendments. However, the anti-forestalling provisions in last year's Finance Act were specific to the last rate increase and are still required in relation to that increase. Trying to cover both rate increases in one schedule would lead to unnecessarily complex legislation.

10 pm

Both last year's anti-forestalling legislation and the draft provisions in the Bill counter forestalling by introducing a supplementary charge to VAT, and so remove the tax advantage. The charge applies where a VAT invoice is issued or prepayment occurs before the rate rise, but where the provision of goods or services is to take place afterwards. Clearly, there could be a large number of transactions where an invoice was issued or a prepayment was made before 1 January 2010, but where the goods or services had not yet been provided. For example, a right to acquire goods at a later date might have been granted in 2009, but not yet taken up. In those circumstances, the amendment would mean that HMRC could not collect a supplementary charge that would otherwise be due under the provisions of the existing Finance Act 2009. This is because that legislation, as amended, would have effect only in relation to the VAT rate change on 4 January 2011.

Furthermore, I am sure that taxpayers find it much easier to refer simply to a single piece of legislation for the upcoming rate increase, rather than risk getting confused by having to refer backwards and forwards between two provisions. Schedule 2 as drafted is clear, and it will be effective in preventing forestalling as a result of the upcoming rate change. Retaining schedule 3 to the Finance Act 2009 without amendment will continue to prevent forestalling in relation to the latest rate change. I appreciate the manner in which the amendment was moved by the shadow Chief Secretary, but I would urge him to withdraw it.

Mr Byrne: I am not entirely convinced by that and I am sad that the Bill is adding complexity rather than delivering simplification, but on the basis of the Exchequer Secretary's explanation I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Owen Smith: I beg to move amendment 26, page 2, line 17, at end add—

'(6) The Chancellor of the Exchequer must, prior to the introduction of the change to the rate of VAT specified in subsection (1) above on the date specified in subsections (3) and (4) above, compile and lay before the House of Commons a review of the administration and availability of existing rate reliefs for items used by disabled people.'.

The Chairman of Ways and Means (Mr Hoyle): With this it will be convenient to discuss the following: amendment 27, page 2, line 17, at end add—

'(6) The rate of value added tax shall remain at 17.5% for those items subject to the standard rate which are intended to alleviate disability and which are for the exclusive personal use of a disabled person.'.

Amendment 47, page 2, line 17, at end insert—

'(6) Before 1 October 2010 the Treasury must report to Parliament—

(a) assessing the impact on disabled persons of the amendment in subsection (1) on items for people with disabilities other than supplies zero-rated by Schedule 8, Part II, Group 12 of the Value Added Tax Act 1994 (drugs, medicines and aids for the handicapped, etc), and

(b) recommending how the impact identified in paragraph (a) can be mitigated.'.

Owen Smith: In amendments 26 and 27, I seek to draw the Committee's attention to another of what I view as the deeply regressive and painful effects of clause 3—the VAT clause—on some of the most vulnerable in our society, in this instance disabled people. Government Members might be under the impression that disabled people are exempt from the effects of VAT—I have heard that said in other debates—but I hope to demonstrate that this is not the case and that they, like many of the most vulnerable in our society, will be impacted negatively by clause 3 and the Budget overall.

Amendment 26 would require the Government to review the way in which current rate reliefs on items needed by disabled people are applied and to address the significant anomalies that exist in the provision of such reliefs. Amendment 27 covers items that are not wholly designed for use by disabled people, but which, although largely used by them, are not exempt from VAT and are therefore chargeable at the standard rate, and it makes the suggestion that they should be exempt from the increase to 20%.

Many goods and services are currently exempted, yet the existing administration of the provision of the rate relief is full of anomalies in its application in this country and is applied far more differently in many other European countries. The interpretation of what constitutes an item that is VAT deductible or VAT refundable is certainly much narrower in this country than it is in many other EU countries, and there are also anomalies, which I propose briefly to list.

The first anomaly concerns VAT relief on works carried out to residential accommodation, where often only partial rate relief is applied. By way of example, I refer the Committee to the tribunal case of Brailsford *v.* The Commissioners for Customs and Excise, which related to the change to Mrs Brailsford's house to accommodate a renal dialysis unit. There was rate relief on the unit and the installation of a toilet in her house, but the extension to the house to accommodate the required renal dialysis machine was not subject to any rate relief, so the case was rejected by the Excise and she had to pay full VAT on the unit.

The second matter that I want to discuss is the way in which the Bill refers to items designed specifically and solely for the use of disabled people. Unfortunately, this exempts many items that people require that have not been specifically designed for use by the disabled. An example is to be found in the tribunal case between Mrs B Symonds and Customs and Excise. She had multiple sclerosis and needed to use an air purifier to make her life more bearable. It had not been specifically designed for use by disabled people, however, and was therefore not allowable under VAT relief regulations. She was therefore forced to pay the full price.

A third important area is the difference between physical and mental disabilities. Under the current legislation, people with physical disabilities obtain VAT relief for many items, but people with mental disabilities have far less access to that relief. A classic example is patients with epilepsy, who are often not designated as handicapped. They therefore do not get rate relief on items such as the alarms and motion sensors that are vital for detecting their sometimes life-threatening epileptic episodes.

The last item I want to talk about is transport, in which an enormous anomaly exists. People who need a wheelchair or are subject to the high rate mobility component of the disability living allowance get full rate relief. They are able to purchase adapted cars and get full VAT relief on them. However, a person who has two prosthetic arms—as does another Mrs Simmons—would find that they did not get any VAT relief whatever. They would be obliged to pay for the full adaptation of their car and would not be subject to VAT relief.

Mrs McGuire: Does my hon. Friend share the concern of many disabled people who are on disability allowance and who are faced with an unspecified threat to the continuation of that benefit? At the same time, they will have to meet the extra cost that will result from the VAT increase. The DLA, which is designed to meet the extra costs of their disability, will be undermined from January 2011 by at least 2.5%.

Owen Smith: My right hon. Friend makes an excellent point.

I pointed out in an earlier debate on the Finance Bill that, on the day of the Budget, I received two e-mails from constituents who were in receipt of DLA. They were horrified and angry that they were being presented as part of the problem, and that they were effectively being dubbed by the Government as a burden on society. They were equally concerned by the threat that their DLA would be cut.

I hope that I have demonstrated that significant anomalies exist, and that VAT bites on everyone in our society, including those whom we might fondly imagine to be exempt from it. I suggest that the Government urgently review the application of VAT to those people and bring before us a report on its impact.

John Hemming: I would like to talk to amendment 47, which has not yet been mentioned. Certain issues have been ignored in this debate. The impact of VAT on expenditure deciles is an important matter. I think that the Opposition reject that analysis, but the size of the household budget is a key determinant. Many people with disabilities are on quite a low income, through no fault of their own. A better way to analyse their situation is therefore to look at those poorer households by expenditure decile. The Institute for Fiscal Studies accepts that, in its analysis of the Budget, it ignored the fact that a cost of living increase in benefits is brought in every April, calculated on the basis of either the consumer prices index or the retail prices index.

We do not yet know what impact the VAT increase will have on the CPI or the RPI in January, but we do know that, the last time VAT was increased, the CPI went up by about 1.5%, and the RPI by about 1.1%. If we look at households by expenditure decile—that is, taking into account the budget of the household—we see that estimates show that the poorest households face an increase in costs of just under 0.5%. I believe that the expenditure decile is an entirely reasonable mechanism to use in this instance. So in January, we would expect them to see that increase, and in April they will have an increase of 1.5%, because they are on the CPI, rather than 1.1%. The poorer households will find themselves better-off on a cash basis after April.

Amendment 47 raises an important issue.

Anas Sarwar (Glasgow Central) (Lab): I find that argument bizarre, as it runs so strongly against the very argument the Liberal Democrats used in the general election campaign, when there were big billboards describing the £389 bombshell. If that was going to affect people's household budgets, I assure the hon. Gentleman that this VAT increase will also affect them, so I believe that the RPI/CPI argument is irrelevant.

John Hemming: I thank the hon. Gentleman for making that point, which allows me to emphasise that certain households have their income linked to the cost of living—whether it be calculated by Rossi, RPI, CPI or whatever mechanism. As the cost of living goes up, those families are automatically given an increase in income. If that increase is greater than their increase in costs, they end up marginally better off. I am not saying that it is a massive amount of money, but the key is that the poorer households, as a result of the VAT increase, actually end up slightly better off. *[Interruption.]* They do. It is very simple. If the hon. Member for Glasgow Central (Anas Sarwar) wants to intervene again, I can explain it in far more detail.

Every year, there is an uprating in benefits. It happens in April and it is calculated according to a cost of living increase, which includes VAT. There are arguments about what should be included in the cost of living calculation and whether it should include mortgages, as the RPI does, or it should not include them, as the CPI does not. The realistic situation is that every April there is an increase based on the cost of living. VAT is part of the cost of living, so the households depending on index-linked benefits end up with an increase in excess of their extra costs—it is a relatively small amount of money, but it does happen.

I would like the Government to address one particular issue, about which I wrote to the Office for National Statistics. We need to be careful about households that include the disabled, through no fault of their own. Essentially, it is very difficult for them to work themselves out of poverty. I accept that some households use DLA to work, but that might be only 7% of the households receiving DLA. Those households could face, for example, substantial increases in energy costs, which would not be factored into the CPI in the same way as other things would.

I ask the Government to track the overall effect of the cost of living for households on lower incomes. A typical one might be a household whose head suffers from a disability and cannot get out of poverty. I am concerned that we might encounter other changes over time that would not be picked up by RPI or CPI. Because we as a Government are concerned to protect people on lower incomes—we are doing so as part of this process; if we used only the RPI increase, the benefit to claimant households of the VAT increase would be only 0.6% as opposed to about 1%—it is important to assess the effect on them.

Mrs McGuire: Would it not be more logical to do as we suggested in earlier amendments and assess the impact on people before the VAT increase was introduced rather than do a retrospective on the impact? Would that not make far more sense?

John Hemming: I thank the right hon. Lady for that. One great thing about the Red Book this time is that it does a distributional analysis. It looks at the effect of the Budget on various households by various deciles. It looks at the income figures as well as the expenditure figures. I personally believe that counting my daughter as poor because she has a low income and depends on me is a wrong assessment. Looking at the size of the household budget is a far better mechanism than looking at the income figures for identifying poorer households. Those assessments were all done in the Red Book.

All I ask the Government to do is to go substantially further than is proposed in amendment 47, which is, frankly, totally inadequate. It simply looks at the impact of the VAT change in isolation. It ignores the fact that, three months later, a cost of living increase will not only wipe out the cost of the VAT but add a bit of extra money. I think the Government are moving in the right direction in trying to protect people on lower incomes, particularly those who, through no fault of their own, find themselves trapped in circumstances from which they cannot work themselves out of poverty.

10.15 pm

Barry Gardiner (Brent North) (Lab): When someone receives an RPI-linked increase—or a CPI-linked increase, as it will become—it will include an element related to the increase in VAT, but the rest of the calculation for the CPI-linked adjustment will relate to all the other inflationary pressures that make up that figure. Is the hon. Gentleman really saying that if people in receipt of disability living allowance have to purchase major items of equipment on which VAT has increased by 2.5%, the increase in their allowances will compensate for that?

John Hemming: The hon. Gentleman has made a good point. As the hon. Member for Pontypridd (Owen Smith) said, there are issues to be considered in relation to major items of equipment, such as which should be zero-rated and which should be standard-rated. What I am considering now, however, are households in the lower expenditure deciles—less well-off households—across the country. I accept that there are circumstances in which people need to buy large items of equipment and that we must do the best we can to protect those people, but we should consider all households. As I explained earlier, I think it is better to consider expenditure deciles rather than merely considering whether a person is disabled, because very wealthy people may be disabled, and we should not design our policies to suit such people.

Owen Smith: Does the hon. Gentleman agree that, given all the evidence, it is overwhelmingly likely that the vast majority of the disabled in our country will be in the lowest income decile?

John Hemming: That is absolutely true. Only 7% of DLA recipients are in work. Obviously those people would be generally dependent on benefits, and they would therefore receive an uprating in benefits in April, based on the CPI. It is not clear what the amount will be this time, but when VAT rose from 15% to 17.5%, the RPI rose by about 1.1% and the CPI by about 1.5%. As I explained earlier, the Red Book shows that the additional cost to the bottom expenditure decile is under 0.5%.

Mr Byrne: Amendment 47 is a probing amendment. It touches on a complicated area of VAT law which was in the process of undergoing a degree of reform. I know that there will be no instant answers, but I think it would be useful for the Committee to know more about the direction that the Government are seeking to take in reforming this area over the next year or two.

Let me record my thanks to the Low Incomes Tax Reform Group, which published an important report entitled "VAT and disabled people—the case for removing the barriers". It identified a number of cases in which existing zero-rating provisions for people with disabilities are inadequate. The fact is that the increase in VAT to 20%, with no kind of balancing relief, on many supplies that are still needed by people with disabilities will cause some hurt and some cost.

I should like to know what the Government think about four issues related to reform. The first is the contrast between European Union and United Kingdom law. The Exchequer Secretary will have already memorised annex III of Council Directive 2006/112/EC. As he knows, it allows reduced rates for

"medical equipment, aids and other appliances normally intended to alleviate or treat disability".

He will also know that the application of UK VAT law does not mirror that flexibility precisely. A restriction now applies to many items because they must be designated solely for use by a person with disabilities. That appears to be a more stringent test than the one set out in EU legislation, and it would be useful to understand the Minister's attitude to that.

The second issue touches on a point made by my hon. Friend the Member for Pontypridd (Owen Smith). It concerns people with mental health needs. Annex III does not make any distinction between equipment needed for people with mental health needs and that needed for those with physical health needs, yet at present there are discrepancies in UK law that still need to be ironed out.

Thirdly, there are issues to do with the accessibility of work places. I think there is agreement across the House that it is important that there is extra support to get people with disabilities back into work. Obviously, that is going to be more important after the Government's reform of disability living allowance with, as they say, a more stringent—or, rather, a different—test for work capability assessment; we do not quite know what that test will look like. At present some businesses are able to get VAT relief on putting in place adaptations in order to help people with disabilities come to work in their work places, but other businesses do not enjoy those reliefs. It would be useful to understand the Minister's thinking on that, too.

My final point concerns transport. UK VAT law provides limited reliefs for the purchase and lease of certain cars by disabled people. A good example is the Motability scheme, but it excludes people not in receipt of the higher rate Motability component of DLA. The Government have told us they want to reform DLA. We have not yet heard precisely how, but many people will be concerned that eligibility for such schemes will be curtailed and that some individuals may face a tax problem as a result of the Government introducing VAT increases at the pace they propose.

This is thus a complicated matter. I do not think the full consequences of the VAT hike are properly understood across the House, so the amendment asks the Treasury to produce a report showing what remedies will be provided for people who need to purchase disability equipment and who will be adversely affected by this rapid increase in VAT proposed by the Government in clause 3.

Mr Gauke: As we have heard, amendments 26 and 27 require both that before the rate increase takes effect the Chancellor must produce a review of existing reliefs for disabled people and that the VAT rate for standard-rated goods that are intended to alleviate disability remains at 17.5%.

I congratulate the hon. Member for Pontypridd (Owen Smith) on the manner in which he has set out his points; he obviously brings a great deal of expertise to this issue. I am also grateful to the shadow Chief Secretary, the right hon. Member for Birmingham, Hodge Hill (Mr Byrne), for amendment 47, which, as he says, requires the Government to produce a report on the impact on standard-rated goods for disabled people.

A number of concerns have been raised about the impact of the VAT increase on disabled people. The disabled will also face the increase in the standard rate of VAT, of course. As we have heard, however, and as Members will be aware, much of what such people need in respect of their disability—including medical and surgical appliances, chair or stair lifts, adjustable beds, adaptations to bathrooms and adapted vehicles—is zero rated and will remain so.

Mrs McGuire: With respect, I think that is a very narrow description of disabled people and the extent of their needs. The Exchequer Secretary has adopted a very mechanistic attitude in respect of the goods and services that disabled people need. Did he take any advice from the Government's Office for Disability Issues in assessing the impact of VAT on disabled people?

Mr Gauke: As I have said, many of the particular items that disabled people need are zero rated, and that will remain so. I make no claim that everything that disabled people will need is zero rated, however, and I come back to the point I made in earlier debates: the fact is that we face a crisis in the public finances. I suspect that, when the previous Chancellor was looking at this and proposing an increase in VAT, he wrestled with exactly the same issues that we have.

Malcolm Bruce (Gordon) (LD): Would my hon. Friend care to speculate on what the difference for disabled people would be between a VAT rate of 19% and one of 20%, and on what proposals Labour had to provide relief for the 1% difference?

Mr Gauke: My right hon. Friend puts a very good question and tempting though it is to speculate, I suspect that no particular mitigating proposals had emerged, but perhaps it is not for me to say. The fact is that VAT is one of the few levers available to any Government to raise substantial sums, and that remains the case.

Paul Uppal (Wolverhampton South West) (Con): Much is made by Labour of the regressive nature of the VAT rise. Given that the Labour Government inherited the most benign of economic conditions in 1997 and had a couple of years of good economic performance, why did they not choose to lower the VAT rate when they were in power?

Mr Gauke: Perhaps we will learn about that in one of the forthcoming memoirs—who knows?

My hon. Friend the Member for Birmingham, Yardley (John Hemming) set out the arguments, which I touched on earlier, for looking at expenditure deciles. He also asked perfectly sensible questions about the Government's examining the relationship between changes in the cost of living and uprating measurements. I am sure we will continue to look at these matters closely.

The shadow Chief Secretary asked some detailed and technical questions about annex III of the relevant EU directive, and about reliefs for transport. In order to do justice to those highly technical questions, and given the time, it would be better if I wrote to him, rather than attempting to answer them this evening.

As a result of the current zero rates, the UK has one of the most generous sets of reliefs in Europe for people with disabilities, worth some £400 million a year to disabled people. In the light of that, and given, as we have heard, that this amendment, like the others in the group, is essentially a probing amendment, I ask the hon. Member for Pontypridd to withdraw it.

Owen Smith: I suggest that we return to this issue another day. However, I do not feel that the Exchequer Secretary has addressed some of the key points. Although it is true that many items are exempt from VAT, some important ones are not, as I highlighted. The issue has not been dealt with adequately this evening, and I will pursue it on another occasion. However, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendment proposed: 46, in clause 3, page 2, line 17, at end add—

'(6) The Treasury shall prepare a report into the impact of the increase in VAT rate provided for by subsection (1) on pensioners in the United Kingdom in 2010-11 and 2011-12; this report shall be prepared and laid before the House of Commons prior to the Commons Committee stage of any further Finance Bill that is brought before the House in the current Parliamentary session and shall propose ways in which the pensioner population of the United Kingdom can be assisted in meeting the additional costs imposed on them by the rise provided for in subsection (1).'. —*(Mr Byrne.)*

Question put, That the amendment be made.

The Committee divided: Ayes 247, Noes 322.

Division No. 20] **[10.29 pm**

AYES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Hain, rh Mr Peter
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana R.
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Keeley, Barbara
Keen, Alan
Kendall, Liz

Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miliband, rh Edward
Miller, Andrew
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Robertson, Angus
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheridan, Jim
Shuker, Gavin
Singh, Mr Marsha
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Woolas, Mr Phil
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Kerry McCarthy and Lyn Brown

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Andrew, Stuart
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Doyle-Price, Jackie
Drax, Richard
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunter, Mark
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lansley, rh Mr Andrew
Latham, Pauline

Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Osborne, rh Mr George
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
James Duddridge and Stephen Crabb

Question accordingly negatived.

Amendment proposed: 58, in clause 3, page 2, line 17, at end add—

'(6) The Treasury shall prepare a report into the impact of the rise provided for by subsection (1) on mountain rescue services in the United Kingdom and lay it before the House of Commons.'.—*(Mr Byrne.)*

Question put, That the amendment be made.

The Committee divided: Ayes 248, Noes 320.

Division No. 21] [10.42 pm

AYES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Elman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
George, Andrew
Gilmore, Sheila
Glass, Pat

Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Hain, rh Mr Peter
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Ilsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana R.
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miliband, rh Edward
Miller, Andrew
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Robertson, Angus
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheridan, Jim
Shuker, Gavin
Singh, Mr Marsha
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Woolas, Mr Phil
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Kerry McCarthy and Lyn Brown

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Andrew, Stuart
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Doyle-Price, Jackie
Drax, Richard
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Elwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Hallon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick

Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunter, Mark
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Osborne, rh Mr George
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
James Duddridge and Stephen Crabb

Question accordingly negatived.

Question put, That the clause stand part of the Bill.

The Committee divided: Ayes 321, Noes 246.

Division No. 22] **[10.55 pm**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Andrew, Stuart
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick

Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Hafon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunter, Mark
Huppert, Dr Julian
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Osborne, rh Mr George
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Stephen Crabb and Norman Lamb

NOES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen

Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Elford, Clive
Elliott, Julie
Elman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
George, Andrew
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Hain, rh Mr Peter
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Iranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana R.
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Lloyd, Mr Ellyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Macteggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McClymont, Gregg
McCrea, Dr William
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miliband, rh Edward
Miller, Andrew
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Robertson, Angus
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Russell, Bob
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheridan, Jim
Shuker, Gavin
Singh, Mr Marsha
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Woolas, Mr Phil
Wright, David
Wright, Mr Iain

Tellers for the Noes:
Lyn Brown and Kerry McCarthy

Question accordingly agreed to.

Clause 3 ordered to stand part of the Bill.

Schedule 2 agreed to.

To report progress and ask leave to sit again.—*(Mr Newmark.)*

The Deputy Speaker resumed the Chair.

Progress reported; Committee to sit again tomorrow.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)).

PARLIAMENT

That the draft Parliamentary Standards Act (Staff Transfer) Order 2010, which was laid before this House on 26 May, be approved.—*(Mr Newmark.)*

Question agreed to.

DELEGATED LEGISLATION (COMMITTEES)

Motion made,

That the Motion in the name of Sir George Young relating to the Electoral Commission shall be treated as if it related to an instrument subject to the provisions of Standing Order No. 118

(Delegated Legislation Committees) in respect of which notice of a motion has been given that the instrument be approved.—*(Mr Newmark.)*

Hon. Members: Object.

BUSINESS OF THE HOUSE

Motion made,

That, notwithstanding the practice of the House as to the intervals between stages of Bills brought in upon Ways and Means Resolutions, more than one stage of the Finance Bill may be taken at any sitting of the House.—*(Mr Newmark.)*

Hon. Members: Object.

Flooding (Hull)

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Newmark.)*

11.10 pm

Diana R. Johnson (Kingston upon Hull North) (Lab): I am very pleased to have secured this Adjournment debate this evening, three years after the flooding in Hull in 2007 that caused such havoc for my constituents. I remind the House that the flooding in Hull was caused by surface water flooding, that one in five homes were flooded, and that June 2007 was the wettest month recorded in Yorkshire since 1882.

I first pay tribute to all the local services in Hull that worked so hard for my constituents on the day of the flooding and in the months and years that followed. Many issues pertaining to the flooding are outstanding, but tonight, because of the limited time, I wish to explore just three. The first is the progress that has been made so far on legislation and new policy directions. The second is insurance. Thirdly, I will seek reassurance from the Minister about future funding for flood protection measures in my constituency.

I thought it right to start by examining the coalition agreement to see what the Government have to say about their plans for flooding protection. It states clearly:

"We will take forward the findings of the Pitt Review to improve our flood defences, and prevent unnecessary building in areas of high flood risk."

I was pleased that Hull was quick off the mark after the floods and had a report produced by Professor Tom Coulthard at Hull university. We then had the national Pitt review. It is to the credit of the previous Labour Government that all 92 recommendations in the review were accepted and many implemented in the provisions of the Flood and Water Management Act 2010. I seek reassurance from the Minister that those provisions will be implemented as soon as possible. I also seek information about the possibility of the new coalition Government producing a water White Paper in the near future.

One of Pitt's clear recommendations was on surface water management plans, suggesting that local authorities should become responsible for ensuring that arrangements were in place to assess and manage local flood risk from all sources, including surface water, and for developing a surface water management plan.

Mr David Davis (Haltemprice and Howden) (Con): I congratulate the hon. Lady on securing an Adjournment debate on this extremely important issue. Does she agree that the first stage of water management is to ensure that we avoid building not only on floodplains—I think that that is a common view—but anywhere where it will lead to the blocking of a watercourse or an increased risk of houses flooding?

Diana R. Johnson: The right hon. Gentleman is exactly right, and I believe there is support for that view throughout the House.

The surface water management plan in Hull, which will have an impact on the right hon. Gentleman's constituency, will bring together the East Riding of Yorkshire, Hull city council, Yorkshire Water and the Environment Agency to put together a workable plan. A scoping exercise was undertaken, and the previous

Government provided £250,000 to develop the plan further. This summer there will be consultation, including on an aqua green in my constituency in the Orchard Park and Greenwood area, adjacent to the Cottingham area, which the right hon. Gentleman represents. I understand that the aqua green, alongside the other provisions set out in the consultation, would cost about £20 million to implement across the city. I seek reassurance from the Minister tonight about the future of that funding.

Andrew Percy (Brigg and Goole) (Con): I, too, congratulate the hon. Lady on securing the debate. I know that she has been a strong advocate for Hull during and since the flooding. While we are on the issue of surface water, I know that significant progress has been made, but the one point on which we do not seem to have made a great deal of progress is having a single number for residents to use to report all surface water flooding. That was a huge issue in Hull and the East Riding on the day of the floods, and we need more progress on it.

Diana R. Johnson: The hon. Gentleman is right, and I hope that the Minister will address that point.

I turn to the issue of small grants to households, which was an important issue in Kingston upon Hull North. The previous Labour Government gave £5 million as part of a grant scheme to enable local authorities to apply to help their residents to protect their homes through the use of flood boards and air brick covers. My local authority, Hull city council, did not apply for that money. There were several rounds of the grant, but there seemed to be confusion about whether the council could apply. I would like to hear from the Minister whether further grant money will be available and whether the conditions could be clearly laid out, so that, as I hope, my constituents can apply for that money through Hull city council.

It is appropriate to pay tribute to the work that Yorkshire Water has undertaken in my constituency by investing in the Bransholme pumping station, which failed in June 2007. It has put in additional pumping facilities, and extra capacity is currently being developed at the station's lagoon. That is all to be welcomed, but further housing development is planned in the Bransholme area, so we need to keep an eye on whether we actually need a brand new pumping station in the years to come to meet the demand. Also, Yorkshire Water is looking to identify changes that might be necessary to the Humbercare sewerage system in Hull.

I turn to the issue of insurance, which has been an ongoing issue since 2007. The insurance industry has agreed to provide flood cover for most properties, but this is subject to the Government continuing to invest in flood risk management. I am aware of the statement of principles under which the insurance industry will provide insurance. That will run out in 2013. However, the Pitt report found that some people suffered from a hike in premiums and that excesses were much higher than before 2007. For example, Mr and Mrs Pearson lived in Kingswood and were insured with Norwich Union. In late December 2009, they were told that their premiums were to go up 33% and that their excess was to be £6,000. They were also told that if they personally commissioned an independent expert report specific to their property that took into account the flood defences put in place, the insurance company would look again at the insurance premium. They were told by the insurance company that HU7, where Kingswood is, was very likely to flood again, but it did not seem to know anything about the work being undertaken to protect the area. It was only once my office had intervened and provided information from Yorkshire Water that we could get the premium down.

I am concerned that insurance companies do not seem to be aware of what is happening in areas such as Kingston upon Hull North, and are not distinguishing between the risk from surface water flooding and river flooding. At the moment, insurance companies only have to provide insurance for householders who had insurance in 2007, so in Hull the insurance market is essentially closed. Personally, in my home, I have come across this: I cannot shop around in the insurance market, but can only go to the provider I had in 2007. It was found that many people affected by the floods did not have insurance. It is disappointing that although some local authorities have adopted a cheap insurance scheme for council tenants, this has not been taken up by my local authority. I am concerned, therefore, about the future for residents in my constituency and their ability to find affordable insurance in the future.

That leads me on to the point about the continuation of funding for flood protection. It is estimated that by 2035 we will need about £1 billion a year to protect ourselves from flooding. Liberal Democrat Hull city council has constantly asked for more money for Hull, particularly from the previous Government, to invest in flood defences in the city. I was dismayed today, therefore, to read in the media reports that it is likely that the Department for Environment, Food and Rural Affairs will have its budget cut by 30% in the comprehensive spending review. I also understand that plans are being prepared by the coalition Government to privatise flood defence infrastructure, which means that the private sector will have to make up for the coalition Government's cuts to the Labour Government's plans for flood defences. Those private sector bodies would then be allowed to pass on the costs of flood protection to the people and businesses in the areas at risk of flooding, in the form of extra council tax, water rates and, perhaps, contributions from business.

Even most market economists would accept that there can be no greater example of a public good than flood defences. We surely cannot hand that responsibility over to the private sector to make a profit at the expense of communities at risk of flooding. Of course we want to encourage private investment and partnership to add to our flood protection work. However, handing flood defence to the private sector is not the way forward to protect us from flooding, and would be another burden on people and businesses in my constituency, which has some of the most deprived areas in the country. They have suffered from the recent recession and, I believe, will now suffer from the policies pursued by the coalition Government.

It appears that the Lib Dem-Conservative coalition is now preparing a flood tax on the victims of flooding in some of the most deprived parts of the country, which, in Yorkshire and the Humber, include Hull, Sheffield and Doncaster. I know that the Minister is a fair-minded gentleman. I hope that he can reassure me this evening

[Diana R. Johnson]

that the money put forward by the Labour Government for flood defences will be protected and that DEFRA will stand up to the Treasury by delivering on the commitment made by the previous Government that people would not suffer by having a flood tax imposed on them—a commitment made not only to the people of Hull, but to the people of the rest of east Yorkshire and the other parts of the country that suffered in the flooding of 2007. I hope that he will also be able to answer some of the other questions that I have posed this evening.

11.21 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): I congratulate the hon. Member for Kingston upon Hull North (Diana R. Johnson) on securing this debate and on raising a number of points that I shall endeavour to answer as best I can. She and I both contributed to Sir Michael Pitt's review, because we both represent constituencies that suffered from flooding and surface water flooding. I therefore understand entirely, as she will, the experience for those households affected; we probably both spent time in the days after those awful floods wading through houses that had been destroyed and meeting people whose lives had been completely turned upside down by the devastation. We were all impressed at the time by her concern for her constituents—a point echoed again this evening.

Let me address one point directly before I address any others. We have no plans to privatise flood defences, contrary to what was reported in the press today. That is not to say that we will not be looking, where appropriate, for contributions from beneficiaries to new schemes and other sorts of levy-funded operations, which we have discussed in the House in recent days and weeks, but I am happy to reassure the hon. Lady on her point as best I can.

The events of summer 2007 illustrated just how important the issues of flood management really are. Floods destroy homes and businesses, and pose serious risks to life. I know that the people of Hull understand that better than most, as do my constituents who suffered in the floods of that year. It remains the case that Kingston upon Hull and the surrounding areas have the greatest concentration of people and property at risk from flooding outside London.

Floods often happen quickly. The damage that they cause can take years to put right and, for those affected, can leave a lasting legacy of concern about it happening again. I am sure that the hon. Lady will have had the same experience as me, in that when there is heavy rain, the level of stress and trauma among our constituents who have been previously affected rises. We are only just starting to understand the implications that that has for people.

We often refer to extreme rainfall in terms of millimetres, but when we read about 20 Olympic-sized swimming pools of rain falling on Hull per second, the seriousness of the emergency becomes clear for all to see. It is therefore no surprise that Hull was the worst affected city in 2007, with 100 millimetres of rain in 24 hours, leading to the overwhelming of drainage systems and the flooding of 600 streets, nearly 9,000 homes, 1,300 businesses and more than 90% of the city's schools. Nor is it surprising that the 2007 floods, which affected many areas, led to the largest recovery effort since the second world war. Specific recovery funding was provided by the previous Administration, and a successful UK application was made to the EU social fund. However, recovery on such a scale takes time. The previous Government took their last count in June 2009, at which time 48 households in Hull were still wholly or partly displaced from their homes.

The hon. Lady asked about the water White Paper. We will publish it in the summer of next year, and I very much hope that she will give us her thoughts on how it can be taken forward. It will look at a number of related issues, including, principally, the Walker and Cave reports, but if she feels that it should cover issues such as surface water flooding, I am certainly open to suggestions. I cannot answer her question on small grants now, but I can assure her that I will write to her and that I will see what can be done. I completely agree that very small grants—for air bricks, for example—can make a big difference when dealing with the technology of flood prevention. We want to encourage people to take responsibility for their own homes.

Mr David Davis: May I just ask the Minister a practical question? If he is going to write to the hon. Lady, could he write to everyone in east Yorkshire?

Richard Benyon: I can assure my right hon. Friend that I will certainly include him in the circulation of any such letter.

We all know that flooding happens, and that we cannot prevent it. Houses will get flooded. That is why the Government are determined to act on the hard lessons of past events, and why we have already made it clear that DEFRA's priorities under the coalition Government will include taking forward the findings of the Pitt review to improve our flood defences and prevent the unnecessary building in areas of high flood risk.

No one can have any doubt about the coalition Government's focus on deficit reduction, and DEFRA has already made a significant contribution to the savings that must be made in the current financial year. Flood management makes up a big proportion of the Department's budget, but immunity from the new financial disciplines is simply not possible. Despite those financial pressures, however, we have decided that we should maintain an increase in the money that taxpayers spend on flood defences this year. Thoughtful planning will mean that that will not impact on the number of households that we protect. We will continue with that thoughtful planning in our work on what is, as everyone knows, a necessarily challenging strategic expenditure review process. Indeed, that is already happening.

One issue that we must take forward in that context—it is one that is important to the people of Hull and the surrounding area—is insurance. I recently met representatives of the Association of British Insurers to discuss how we could work together to ensure that we have a way forward on flood insurance and a road map to 2013, when the current agreement between the Government and the insurance industry, known as the statement of principles, ends. I am confident that

the partnership that we have built with the ABI will help to ensure that appropriate and fair successor arrangements are in place after 2013.

On insurance, it is a matter of great regret that many of the people who are offered access to the cheap schemes often provided through local authorities or housing associations choose not to access them. I have raised this matter with the ABI and with housing associations, and I will continue to raise it across government if I have to. When such schemes can be included as part of people's rent, I believe that there is a case for offering them as an opt-out, rather than an opt-in scheme. I know of a housing association that offers £5,000-worth of household insurance for 50p a week. It is perfectly possible for people to make a rational choice on this if they are given the necessary information. I think that an opt-out would be better than an opt-in, but that is a personal view. I shall, however, take the matter up with the ABI.

The hon. Lady talked about information being made available to insurers, and that is a crucial point. The Environment Agency is the guardian of the data on surface water management plans, and it is important that that information should be passed on to insurers. I have had exactly the same experience as the hon. Lady, where insurers just say that a house has been flooded, and as far as the insurance company or broker is concerned, no distinction is made between surface or fluvial water, or between whether any or a lot of remedial action has taken place. My local authority is the guardian of that information at the moment. I want the Environment Agency to be absolutely up front—there are no secrets. In fact, we want to make public the work that government in all its forms is doing, so let us make sure that the Environment Agency makes that data available as soon as possible, so that insurance can access it. I am completely with the hon. Lady on that.

Diana R. Johnson: Will the coalition Government support the flood summit this summer that the previous Labour Government had committed to holding? Will that happen? It seems a good opportunity to share information so that people understand what is happening.

Richard Benyon: Absolutely; it was an excellent idea brought forward by the previous Government and we will continue with it.

There is a lot of work in progress right now. I know that a working group has been set up in the Hull area to put together a multi-agency flood plan to define the roles and responsibilities of Government Departments and agencies for all flood risks. We have already heard from the hon. Lady about work by Hull city council on a surface water management plan. I understand that measures are in place to ensure joint working across Hull and the East Riding of Yorkshire. That type of multi-agency and cross-boundary partnership working is especially valuable.

Consultation by the Environment Agency on the River Hull flood risk management strategy and the River Hull and coastal streams catchment flood management plan began early this summer—on 21 May, I believe—and will run for 12 weeks. It closes on 13 August. The strategy includes a number of recommendations on works to improve the defences in the city of Hull and the maintaining of pumping stations and flood banks. Such consultation is important. I would urge all groups and individuals with an interest in flood management in the area to contribute. That certainly includes farmers and others who naturally have concerns about the impact of possible changes on farm land. Their concerns are matters that will be fully considered as part of the assessment of options.

It would be wrong not to acknowledge that a lot of good work has been done since 2007, including by the people of Hull. The Environment Agency has almost completed a £10 million refurbishment of the Hull tidal barrier, which protects around 17,000 properties from tidal surges. Yorkshire Water and the Environment Agency have undertaken to refurbish the equipment in the East Hull pumping station. The work to the agency's pumps will cost around £900,000 and is due to be completed by the autumn.

There are new flood defence schemes at Burstwick, Hedon, which I believe is in the constituency of my right hon. Friend the Member for Haltemprice and Howden (Mr Davis), and Hessle. The scheme at Hedon has been completed, while those at Burstwick and Hessle are under construction. Maintenance work and the removal of debris has happened on a number of watercourses, including the western drain, Setting dyke and Cryke beck. There have been improvements to pumping stations at East Hull and Bransholme, and the installation of new infrastructure at Burstwick, New Clough and Westlands drain. There has been a variety of small, local levy-funded projects—work funded by the local levy raised by the regional flood defence committee, plus supplementary funding from the Environment Agency, including projects in or close to the hon. Lady's constituency.

There is more to do, including at the national level. I have already said that one of DEFRA's top priorities is to take forward the findings of the Pitt review. Part of that is the work that we are now doing on the review of the regulations provided in the Flood and Water Management Act 2010 in the context of the better regulation action plan announced by the Department for Business, Innovation and Skills. We are working hard on establishing a time scale for implementing the Act, but it is especially pleasing that many of the authorities that will have new duties and powers under the Act are already getting on with managing flood risk. For our part, DEFRA is also working with key players, including local authorities, the Environment Agency and professional bodies, to ensure that they have the capacity to implement the Act.

Implementing Sir Michael's recommendations is not all about legislative change. Another important part is ensuring that local emergency planners and responders have the tools they need. We know that our emergency services, local authorities and the affected communities all do a fantastic job when called upon. However, one of Sir Michael's interim recommendations was that we should have a national flood emergency framework to provide a common point of reference. Like Sir Michael, I want to ensure that there is clarity about roles and responsibilities, and a proper multi-agency approach to both flood planning and the emergency response. We hope to publish the framework very soon.

Andrew Percy: One very good way of involving communities is through parish councils. In Swinefleet, in my constituency, and in Airmyn parish council, on which I sit, we have produced our own flood emergency

[Andrew Percy]

plans. I think that we should try to extend that throughout the country, and get parish councils thinking about how they can deal with emergencies such as flooding.

Richard Benyon: I entirely agree. We discussed that at length during a recent meeting of the chairs of the forums. There is an enormous amount of work that we can do to encourage such activity. We need a bottom-up, community-led approach. Some might even describe it as a "big society" approach, while others might call it a co-operative movement. I do not care what it is called; what is important is to understand that a lot of emotion is involved in protecting people's homes. I have seen wonderful examples of communities pulling together and not only enjoying the process, but creating a flood watch scheme rather like a neighbourhood watch scheme. People keep an eye on the excellent data that the Environment Agency now publishes, which enables them to provide information, make plans and take action whenever that is required.

It is also worth mentioning Exercise Watermark. On taking office, I was determined that the pressures on budgets should not prevent such an important exercise from taking place. Watermark will be a comprehensive test of local and national preparedness, and will no doubt yield some important lessons for us all. I am delighted that the Humber local resilience forum will be involved in the exercise, which is planned to take place next March.

Let me end by giving the hon. Lady an assurance. Yes, we face very difficult financial circumstances, and yes, DEFRA faces the challenge of identifying the savings that are necessary to the Government's plans for dealing with the deficit. However, our absolute priority is to ensure that our flood defences remain as robust as possible. Of course I cannot guarantee that every single scheme will continue—I would not give that impression at a time when we are going through such a difficult process—but I can assure the hon. Lady that flood resilience is an absolute priority.

This Government want to continue in the spirit of the last Government, and to ensure that the schemes that are needed are there. We want to ensure that we are using every possible means to access funds—to use local resources and, when possible, levy funding—and also to ensure that we are fulfilling our responsibilities as a Government. We will not satisfy everyone, but I can assure the hon. Lady that this is an absolute priority for the Department and the Government.

Question put and agreed to.

11.38 pm

House adjourned.

House of Commons

Wednesday 14 July 2010

The House met at half-past Eleven o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

CABINET OFFICE

The Minister for the Cabinet Office was asked—

Civil Service Compensation Scheme

1. **Katy Clark** (North Ayrshire and Arran) (Lab): What recent discussions he has had with trade union representatives on reform of the civil service compensation scheme. [8067]

The Minister for the Cabinet Office and Paymaster General (Mr Francis Maude): I wrote to the chairman of the Council of Civil Service Unions immediately after making my statement to the House on 6 July. I have invited the unions to begin discussions with us on developing a sustainable and affordable long-term successor to the current civil service compensation scheme. I met the unions yesterday, and my officials have had further meetings with them.

Katy Clark: I thank the Minister for that answer. As he will appreciate, thousands of civil servants currently face losing their jobs as a result of this Government's policies. Will such people be able to rely on their contractual terms?

Mr Maude: It is common ground that the current civil service compensation scheme is unaffordable. The hon. Lady's own Government attempted to introduce a new scheme that introduced modest changes to the current scheme. That was agreed by five out of the six civil service unions, but sadly, the sixth did not agree, went to the High Court, and had it struck down. The result is that savings that had been scheduled to be made by the previous Government now cannot be made, so there is an additional cost. I have taken the view that it is not responsible to leave matters as they are. Nor is it fair to leave in limbo for ever people who know that there is, through no fault of their own, no job for them for the future, which has been the case for some time.

Mr John Leech (Manchester, Withington) (LD): Does the Minister accept that any plans severely to restrict redundancy payments for hundreds of thousands of low-paid civil servants will be seen as a kick in the teeth for thousands of workers who have faced uncertainty about their jobs over the past few years, and who face uncertainty in the future?

Mr Maude: It is precisely for that reason that I want to engage quickly with the unions to negotiate additional protection for low-paid workers. Contrary to general belief, large numbers of civil servants are not very well paid—half of them earn £21,000 a year or less—and we want there to be extra protection for them. I want to engage as quickly as possible with the unions to negotiate an arrangement that has not only fairness but accountability built into it.

Paul Goggins (Wythenshawe and Sale East) (Lab): Last week, the Minister said that his proposals may not have been necessary if the Public and Commercial Services Union had joined the other five trade unions in agreeing to the previous Government's reform package. That being so, will he start his negotiations with that package, which would have saved £500 million over three years and protected the lowest paid?

Mr Maude: As I say, we are very keen to have proper protection for the lowest-paid workers. Had that scheme been in existence when the coalition Government came into office, a pressing case would have been made to leave it as it was and work on that basis. That option is no longer on the table, so it seemed to us right to look at a scheme that is sustainable for the long term. The previous revised scheme made only relatively modest changes, and it was still way out of kilter with anything available under the statutory redundancy scheme or, indeed, throughout most of the private sector.

Paul Goggins: I am grateful for that answer. However, it is hard to take the Minister seriously about these negotiations when after all the press speculation, and more than a week after he sent his letter to the trade unions, the 600,000 staff who are affected still have no details of what he is proposing other than the threat of a 12-month cap on redundancy payments to all staff. Why should the lowest-paid staff—the junior official in a jobcentre—be treated in exactly the same way as the permanent secretary of a Government Department?

Mr Maude: It is precisely my intention that that should not be the case. That is why I want to engage with the unions quickly to develop a scheme that protects the lowest paid. It is quite a complicated thing to do—it is not capable of being done in the course of a Bill—so we need to negotiate it. I want to ensure that it works and is effective in providing fairness, but is also affordable. I hope that we can engage with this as soon as possible. I have made it clear to the unions that it is our intention not only to negotiate on the ceiling that is available for voluntary redundancy schemes but to provide protection for the lower paid.

Government Projects (Consultants)

2. **Amber Rudd** (Hastings and Rye) (Con): What plans he has to review arrangements for the use of consultants for Government projects. [8068]

The Minister for the Cabinet Office and Paymaster General (Mr Francis Maude): In May, we announced an immediate freeze on the use of consultants. Where there is an operational necessity and the work cannot be carried out by in-house staff, any new consultancy spend above £20,000 a month must be signed off by a Minister. In addition, all consultancy spend, whether pre-existing or newly approved, must be re-approved on a rolling basis every three months. Processes are now in

place whereby both my right hon. Friend the Chief Secretary and I must personally approve any request to employ a consultant beyond nine months.

Amber Rudd: I thank my right hon. Friend for that answer. Has he considered the fact that by reducing the use of consultants, we will be able to help public servants to develop their own careers more successfully, and that that will have the added advantage of protecting jobs, because we can keep the work with them rather than putting it out to consultants?

Mr Maude: My hon. Friend makes a very good point. The excessive use of consultants—we discovered that there were 2,500 consultants embedded in Whitehall across Government—is not only expensive and a wasteful use of money but demoralising for mainstream civil servants, who feel that they are undervalued. By cutting back on the use of consultants we can begin to re-equip the mainstream civil service with the professional skills that it wants.

Chris Leslie (Nottingham East) (Lab/Co-op): Can the Minister assure the House that the Government will not employ any consultants at all on the experimental free market schools strategy at the Department for Education? I am sure I heard a rumour that the Government had paid half a million pounds to the New Schools Network.

Mr Maude: I can assure the hon. Gentleman that if there are any consultants being used, that will have been signed off personally by a Minister in the Department for Education and will be made public online shortly. He should address his question to my colleagues in that Department and scan the website for notification.

Voluntary and Community Sectors

3. **Fiona Bruce** (Congleton) (Con): What plans he has to reduce the regulatory burden on the voluntary and community sectors. [8069]

9. **Jane Ellison** (Battersea) (Con): What plans he has to reduce the regulatory burden on the voluntary and community sectors. [8075]

12. **Mrs Helen Grant** (Maidstone and The Weald) (Con): What plans he has to reduce the regulatory burden on the voluntary and community sector. [8079]

The Minister of State, Cabinet Office (Mr Oliver Letwin): We thoroughly accept the implication of the question. Voluntary organisations are subject to much too much regulation and monitoring. That is why, in addition to the important work that Lord Young is doing on reducing the impact of health and safety legislation and the compensation culture on those organisations, we are about to launch a specific taskforce to examine the impact of regulation on small organisations. We hope to announce the chair of that taskforce very shortly and that it will complete its work by next spring.

Fiona Bruce: I thank the Minister for his answer. One of the key areas of the Government's big society project is to encourage volunteering. However, it is accepted that in many disadvantaged areas there are lower levels of volunteering. For example, school governor places remain vacant. Will he consider how we can break down the barriers, whether regulatory or otherwise, that deter a broader number of people from coming forward to volunteer, particularly in disadvantaged areas?

Mr Letwin: The short answer to my hon. Friend's question is yes. She is absolutely right that we need to break down those barriers, and my right hon. Friend the Secretary of State for Education is currently looking at how we might do that.

It is important to note that the accusation that is sometimes made that school governors will need to have Criminal Records Bureau checks is not correct. Unless those governors are involved in working with children in school on a day-to-day basis, all that needs to be checked is the list 99 bar. We are, of course, also looking at how we can reduce CRB checks to a common-sense level and at the vetting and barring regime. I hope that all those things will help persuade people that it is well worth doing important voluntary work.

Jane Ellison: All over the country this Sunday there will be "big lunch" street parties, and Battersea is no exception. In my area it has been greatly facilitated by the council issuing a flat-rate charge for street closures with an easily completed form, and generally being accommodating and encouraging. Does my right hon. Friend agree that we should encourage all councils to do that?

Mr Letwin: I congratulate my hon. Friend on her part in getting that to happen, and her council on taking that admirable attitude. One reason why we are so keen to decentralise and to give councils much more responsibility and power is precisely that they can then take sensible local initiatives of that kind to encourage local and community groups to flourish, which of course is part of our big society agenda.

Mr Speaker: Order. May I just appeal to the right hon. Gentleman to face the House so that we can all enjoy his mellifluous tones?

Mrs Grant: What plans does my right hon. Friend have to extend longer-term funding to voluntary sector organisations so that they can do more?

Mr Letwin: I should say, Mr Speaker, that no one has previously accused me of having a mellifluous tone.

My hon. Friend is on to something enormously important. It is not just that we need to extend additional funding—it is much more than that. We need to involve the voluntary sector in a whole range of massive reform programmes. We hope to see it involved in schools, in the rehabilitation revolution, in the Work programme, in drug and alcohol rehabilitation and in much else besides. We are moving away from the micro-management of processes in contracts and towards a very exciting new world of payment by results, so that voluntary organisations can use their talents and initiative to achieve real results.

Albert Owen (Ynys Môn) (Lab): One of the biggest barriers to volunteering and volunteer groups is taxation, not just the increase in VAT that was voted through last

night but the level of taxation that volunteer drivers have to pay on their mileage. Will the Ministers please talk to HM Customs and the Chancellor about the increase in that taxation, in line with the petrol duty increase over the past decade?

Mr Letwin: The hon. Gentleman tempts me to do something that a ministerial career cannot long survive—speak for the Chancellor of the Exchequer on tax matters. I certainly undertake to continue the discussions with the Chancellor, which I have on all occasions, about how he can further our general programme to favour community groups in the voluntary sector. That is high on his agenda as well as ours.

Ian Lucas (Wrexham) (Lab): Does the right hon. Gentleman believe that increasing the rate of VAT for charities will help them deal with the real difficulties of over-regulation?

Mr Letwin: It appears that there is a combined effort on the Labour Benches to persuade me to adopt the role of a Treasury Minister, which I am not and cannot do. Of course, we are conscious of the burdens that fall on the voluntary sector. However, for many people in that sector, a framework that enables them to do what they do best, in a way that achieves results, is what really counts. My response to my hon. Friend the Member for Congleton (Fiona Bruce) is the response to that.

Big Society Bank

4. **John Glen** (Salisbury) (Con): What progress he has made in establishing the Big Society bank. [8070]

The Parliamentary Secretary, Cabinet Office (Mr Nick Hurd): The Government are committed to setting up that independent wholesale bank to develop the market for social investment. It will be funded by dormant bank accounts and I will work with ministerial colleagues to establish it by April 2011.

John Glen: When visiting the River Bourne community farm in my constituency in Salisbury and many other community groups, I found that one of their big concerns is the bureaucracy that they might face when accessing the funds from the Big Society bank, though they are encouraged by its creation. Will my hon. Friend confirm the process and the means whereby small community groups, which do not have the information, can access those much needed funds?

Mr Hurd: The intention is for the bank to be as independent and unbureaucratic as possible. It will be a wholesaler, not a retailer, so it will support intermediaries that are growing the market for social investment. If it invests in social enterprises in Salisbury, it will do so through intermediaries that have structured financial products, such as social impact or community bonds that connect private capital with the opportunity for good, and for social impact.

Mr Brian H. Donohoe (Central Ayrshire) (Lab): Has the Minister had any discussions with credit unions? The big idea of a bank is very similar to what already exists. Why reinvent the wheel?

Mr Hurd: I have had a series of discussions with several intermediaries in the marketplace that are in the business of trying to encourage and support social investment. The intention is for the bank to stand behind and support those intermediaries to allow them to do more.

Civil Servants (Terms and Conditions)

5. **Mr Christopher Chope** (Christchurch) (Con): What recent representations he has received from trade unions on proposed changes to the terms and conditions of employment of civil servants. [8071]

The Minister for the Cabinet Office and Paymaster General (Mr Francis Maude): I met the Council of Civil Service Unions yesterday. The main issue discussed was the proposed changes to the civil service compensation scheme, which I covered in my reply to the hon. Member for North Ayrshire and Arran (Katy Clark).

Mr Chope: Did my right hon. Friend discuss yesterday a subject of great public concern: civil servants on average have higher pay, get better pensions, work shorter hours and have longer holidays than their private sector counterparts, and they also have lower productivity? What are the Government doing about that?

Mr Maude: Public sector productivity generally fell in absolute terms in the past 12 years, whereas private sector productivity rose by between 20 and 30%. There is therefore a problem with productivity in the public sector. However, I must tell my hon. Friend that median pay in the civil service is lower than that in the private sector, but pay in the wider public sector is higher.

Mr George Howarth (Knowsley) (Lab): Does the Minister think that a career in public service is a good thing?

Mr Maude: Yes, 100%, which is why I adopted one.

Voluntary Sector

6. **Mr Mark Spencer** (Sherwood) (Con): What plans he has to support the voluntary sector. [8072]

The Parliamentary Secretary, Cabinet Office (Mr Nick Hurd): As the House has heard, we intend to reduce the bureaucratic burdens on the sector and get more resources into it, not least through the Big Society bank and a new community grants programme. We want to reform commissioning to make it easier for voluntary sector organisations to compete for public sector contracts.

Mr Spencer: Rumbles is a charity in my constituency that provides training for young people with learning difficulties. It has enjoyed a good relationship with local colleges, supplying national vocational qualifications, but recent budgetary pressures have put the whole system under threat. What will the Minister do to help support the relationship between local colleges and local charities and volunteers?

Mr Hurd: I thank my hon. Friend for giving me advance notice of his specific constituency interest. I have liaised with the Department for Education, which

is very clear that the voluntary sector has an important role in ensuring that all 16 to 18-year-olds can access learning opportunities that best suit them. However, the Department pointed out that it is for colleges to decide what their learning offer should be. On a more constructive note, if Rumbles believes it has a learning offer that will fill a gap in the 16-to-18 learning market, it should discuss it with the local authority and seek to become a 16-to-18 provider in its own right.

7. **Alun Michael** (Cardiff South and Penarth) (Lab/Co-op): What recent discussions he has had with ministerial colleagues on the compact between the Government and the voluntary sector. [8073]

The Parliamentary Secretary, Cabinet Office (Mr Nick Hurd): The right hon. Gentleman has a long-standing interest in this area. The Government are fully committed to the compact, as the Prime Minister stated when he launched the big society programme at No. 10 on 18 May. That is why my right hon. Friend the Minister for the Cabinet Office and Paymaster General has written to Ministers with responsibility for the big society agenda to ask them to consider the compact as decisions on in-year budgetary savings and efficiencies are taken.

Alun Michael: I welcome the Minister to his new responsibilities, and I am sure that we will look at the detail of this matter in the coming months. Departments and Government agencies are large and powerful, whereas voluntary organisations are generally small and innovative. Does he therefore agree that supporting the compact process is an important responsibility of Ministers across Departments, as is ensuring fairness in how Departments deal with the voluntary sector organisations that are vital to their work?

Mr Hurd: I totally understand the right hon. Gentleman's point. That is why we have set up a group of Ministers with responsibility for the big society agenda. The first meeting of those Ministers will be chaired by the Minister for the Cabinet Office and Paymaster General next week. The compact and our plans to strengthen the transparency and accountability of its implementation will be on the agenda.

Efficiency Savings

8. **Richard Ottaway** (Croydon South) (Con): What efficiency savings have been identified by his Department's efficiency and reform group. [8074]

The Minister for the Cabinet Office and Paymaster General (Mr Francis Maude): We have identified significant scope for efficiency savings through a variety of means, including moratoriums on information and communications technology spending of more than £1 million, on consultants costing more than £20,000 a month, on advertising and marketing spend, on new websites and on new or renewed property leases. Other means include a freeze on recruitment, the procurement of goods and services for the whole Government using our aggregated scale to drive down prices, removing discrepancies such as the variation of 170% in the cost of a standard computer monitor, and renegotiating with the Government's biggest suppliers on a portfolio basis to take out excessive cost. I met the 20 biggest suppliers to the Government last week to kick that process off. That is just the beginning; there is much more to do.

Richard Ottaway: In the light of that important answer, does my right hon. Friend remember the pledge given in 2006 by the previous Government to reduce dramatically the 794 websites that they ran at that time? Accordingly, was he as astonished as I was to discover just a few weeks ago that the number of websites had actually grown to 820? What is he doing to reduce that inefficient use of public resources?

Mr Maude: My hon. Friend is completely right that the result of the previous Government's attempt to cut the number of websites was actually a significant increase. We will take urgent steps to cut the number of websites, particularly in relation to those that compete with each other. I discovered that the Department of Energy and Climate Change was bidding against the Carbon Trust for spots on Google, which is one indication of the lack of discipline in that field.

Paul Goggins (Wythenshawe and Sale East) (Lab): Has the efficiency and reform group made an assessment of the Government's programme for converting 800 schools into academies at a cost of £495 million over the next four years? In particular, has the group formed a view on whether that represents good value for money when set against the loss of hundreds of new school buildings following the cancellation of the Building Schools for the Future programme?

Mr Maude: That was a very good effort from the right hon. Gentleman, but we believe that the coalition's programme to increase the number of academies is very valuable. It is part of the process of giving much more power to parents, and of giving the schools that are available for local people the ability to reflect what they want rather than what central planners dictate.

National Citizen Service

10. **Graham Evans** (Weaver Vale) (Con): What progress has been made in setting up a national citizen service. [8077]

13. **Julian Smith** (Skipton and Ripon) (Con): What progress he has made in establishing a national citizen service. [8080]

The Minister for the Cabinet Office and Paymaster General (Mr Francis Maude): The coalition Government are committed to introducing a national citizen service to give young people an opportunity to develop the skills needed to be active and responsible citizens, mix with people from different backgrounds and get involved in their communities in order to promote engagement, cohesion and responsibility. Details of this programme will be announced by the Cabinet Office later this year, with a launch expected in 2011.

Graham Evans: The national citizen service will provide a vital outlet, especially for disadvantaged young people in my constituency of Weaver Vale. How can we ensure that this group of young people get involved?

Mr Maude: The whole point is to bring together young people from different backgrounds, rather in the way that national service was a great leveller. People from all sorts of backgrounds and geographies came together to work together, and that did promote cohesion. We are especially concerned that young people from disadvantaged backgrounds should not be excluded from this process. I hear what my hon. Friend says and it would be good if one of the pilot schemes next year could involve disadvantaged young people from his constituency. *[Interruption.]*

Mr Speaker: Order. An enormous number of private conversations are taking place in the Chamber, and it is not only unseemly, but unfair on the Member asking the question and on the Minister to whose reply we all wish to listen.

Julian Smith: North Yorkshire county council has four fantastic outdoor education centres, including Bewerley park in Nidderdale in my constituency. I suspect that my right hon. Friend does not have time for potholing, but would he come and meet me so that I can show him how those four centres could deliver on the national citizens programme?

Mr Maude: It is not so much not having the time for potholing as not having the inclination. However, I would of course be delighted to meet my hon. Friend to discuss these very desirable locations with which he tempts me.

Voluntary Sector

11. **Robert Halfon** (Harlow) (Con): What plans he has for future Government support for local voluntary groups; and if he will make a statement. [8078]

The Parliamentary Secretary, Cabinet Office (Mr Nick Hurd): We want to encourage more people to set up and join local voluntary groups, and we want those groups to have much more influence over the issues that affect their communities. Our plans include the training of new community organisers, who can be fantastically effective in that context, and a new community grant programme to help put money in the hands of neighbourhood groups to implement their own neighbourhood plans.

Robert Halfon: Is the Minister aware that in Harlow the big society has been operating for some time? Will he agree to visit successful charities such as the Michael Roberts charitable trust and Rainbow Services, which are ready to pilot the big society reforms, independently of Government and at the heart of the community?

Mr Hurd: I am delighted to hear that the big society is alive and well in Harlow, and I know that my hon. Friend is a passionate advocate of the values that underlie it. I am happy to confirm to him that I will visit Harlow on 29 July and I look forward to seeing what is being done, what we can learn from and what we can build on.

Mr Nigel Dodds (Belfast North) (DUP): Does the Minister share my concern that many voluntary and community organisations that deliver public services and value for money could be targeted unfairly for cuts in the present economic environment if sufficient and proper consideration is not given to their efficiency and effectiveness?

Mr Hurd: I share that concern, and that is why I am working with colleagues in the Department for Communities and Local Government and our strategic partners to try to identify examples of best practice, especially where local authorities are working in a partnership with the voluntary and community sector to manage this difficult transition carefully.

Gavin Barwell (Croydon Central) (Con): I welcome what my hon. Friend said about the community grant fund, especially given the difficult financial climate that many local authorities face. Can he tell us more about the timing of that fund?

Mr Hurd: The programme is subject to approval in the comprehensive spending review, but all being well our intention is for it to be operational early next year. The focus will be on trying to provide grass-roots community grants to deprived areas that are characterised by high levels of economic deprivation and low levels of social capital.

Efficiency Savings

14. **Steve Baker** (Wycombe) (Con): What efficiency savings have been identified by the efficiency and reform group. [8081]

The Minister for the Cabinet Office and Paymaster General (Mr Francis Maude): I refer my hon. Friend to the reply I gave to Question 8.

Steve Baker: The last Government spent a fortune on advertising themselves. How will this Government make savings in that area?

Mr Maude: We established at an early stage a moratorium on new advertising and marketing spend. Any exceptions to that moratorium have to come to me personally, and I am delighted to find that remarkably few applications are being made for exceptions. The amount of taxpayers' money spent by the Government on advertising and marketing has been significantly reduced. At the end of the year, I expect to be able to show a very significant reduction in what was being spent by the last Government on what I have to say was a pretty incontinent basis.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [8052] **Tom Blenkinsop** (Middlesbrough South and East Cleveland) (Lab): If he will list his official engagements for Wednesday 14 July.

The Prime Minister (Mr David Cameron): I am sure the whole House will wish to join me in paying tribute to our soldiers who have died in Afghanistan over the last week. They are Bombardier Samuel Robinson, 5th Regiment Royal Artillery; Marine David Hart, 40 Commando Royal Marines; and a Marine from 40 Commando who died yesterday. We also pay tribute to the three soldiers from 1st Battalion the Royal Gurkha Rifles who lost their lives yesterday and to their comrades who were injured. We believe this incident was caused by the actions of an Afghan soldier betraying his Afghan and international comrades. I spoke to President Karzai

about this issue yesterday, and a joint investigation by the Afghan authorities and international forces is under way, which will cover every aspect of the incident and the lessons to be learned from it.

I have to say that there should, however, be no knee-jerk reaction and no change in our strategy. We must continue to work with the Afghan army to create a stable Afghanistan able to maintain its own security and to prevent al-Qaeda from returning. At this very sad time, our thoughts should be with the families and friends of all these brave servicemen. What they do on our behalf is brave, courageous and shows their dedication and professionalism. It is right that we pay tribute to them.

This morning, I had meetings with ministerial colleagues and others and, in addition to my duties in this House, I shall have further such meetings later today.

Tom Blenkinsop: I would like to echo the warm words of the Prime Minister about our service personnel serving abroad.

Will the Prime Minister join me in praising One NorthEast and Redcar and Cleveland Labour council for helping develop a £600,000 regeneration plan for the market town of Guisborough in my constituency in order to help small business? Is it not the case, however, that for those who run small businesses, the Government's VAT increase is the real jobs tax?

The Prime Minister: First of all, I welcome the hon. Gentleman to the House. I know he used to work for Ashok Kumar, who was widely liked and respected across the House of Commons. What we are doing to help small business is to cut the small business rate of corporation tax. We think that is the best help we can give. The future for small business will, of course, also be helped by our local enterprise partnerships, which we think will be much more focused, much more local and will deliver better than the regional development agencies they replace.

Nicky Morgan (Loughborough) (Con): Will the Prime Minister join me in congratulating the Loughborough university student union rag committee, which as well as providing many volunteers to local groups has this year raised more than any other rag in the country—more than £1 million, including raising £34,000 in one day for the Royal British Legion? Is not this an example of the big society in action?

The Prime Minister: I thank my hon. Friend for her question. She is absolutely right. Sometimes students can get a bad press for what they do, but we can see from the example of Loughborough that they have focused on doing things for other people and raising money for charity. They should be congratulated.

Ms Harriet Harman (Camberwell and Peckham) (Lab): I join the Prime Minister in paying tribute to Bombardier Samuel Robinson, 5th Regiment Royal Artillery; to Marine David Hart, 40 Commando Royal Marines; to the Marine from 40 Commando Royal Marines who died yesterday; and to the three soldiers from 1st Battalion the Royal Gurkha Rifles who lost their lives yesterday and those who were injured. Everyone will share the Prime Minister's concern about what happened. It is right to have a thorough investigation, but as he said, we must not lose sight of the importance of the work our troops are doing in Afghanistan.

May I ask the Prime Minister about Northern Ireland? Although it is now highly unusual for people in Belfast to see such violence on their streets, everyone will be worried about the events of recent days. Will the Prime Minister update the House and tell us what discussions he has had with the First Minister and the Deputy First Minister? Although this is a devolved responsibility, will he join me in paying tribute to the professionalism and bravery of the men and women of the Police Service of Northern Ireland?

The Prime Minister: I certainly join the right hon. and learned Lady in paying tribute to that police service. Anyone watching the pictures on our television screens last night could see how brave and how restrained the police were in the way that they dealt with behaviour that was, frankly, completely unacceptable. To update the House, last night was the third night of violence, the most serious of which was in the Ardoyne district in north Belfast. Over 80 police officers have been injured after being attacked with, for instance, petrol bombs, pipe bombs and bricks. The police came under fire on Sunday night, and shots were fired again last night. The police have been forced to retaliate with battle rounds and water cannons, but, as I have said, I think that anyone who watched what they did or who, like me, has had a briefing from David Ford, the Policing and Justice Minister, will know that they acted with real restraint.

I keep in touch regularly with the Secretary of State for Northern Ireland, who has been in Belfast as well, to ensure that everything that needs to be done is being done. As the right hon. and learned Lady knows, however, this is a devolved issue, and, having devolved policing and justice, we should allow David Ford and the First Minister and Deputy First Minister to give the lead that they are indeed giving.

Ms Harman: I am grateful to the Prime Minister for his answer. I reiterate what I said earlier: we will continue to support and work with the Government in their efforts to ensure a peaceful future for all the people of Northern Ireland.

This week the Government published their White Paper on the national health service. They say that they will get rid of targets. Can the Prime Minister tell us whether patients will keep their guaranteed right to see a cancer specialist within two weeks of seeing their GP?

The Prime Minister: May I first make one further response on the Northern Ireland issue, with which I think everyone will agree? Now that we have a police service that is fully representative of the whole community in Northern Ireland, there is no excuse for anyone not to co-operate with that police force. We all know that in the end these things are not dealt with just by the police; they have to be dealt by the communities as well, working with the police to bring people to justice for completely unacceptable behaviour.

As for the NHS, what we have decided is that we will keep targets only when they actually contribute to clinical outcomes. We all want to see a higher cancer survival rate. I am afraid that, after 13 years of Labour government, we have not the best cancer outcomes in Europe, and we

want the best cancer outcomes. That means rapid treatment, yes, but it also means rapid follow-up, and it means people getting the radiotherapy, chemotherapy and drugs that they need. Those are all essential. The one thing that we on this side of the House will do is continue to put real-terms increases into the NHS, whereas I understand that it is now Labour policy to cut the NHS.

Ms Harman: Quite apart from the anxiety of having to wait, results are best if treatment starts as soon as possible. That is why it is important to be diagnosed and to see a specialist quickly.

The Prime Minister has not answered the question. The whole House will have seen that. He has dodged the question, just as his Health Secretary did. This is what the Health Secretary said in the House when he, too, was dodging the question:

"I have not said that we are abandoning any of the cancer waiting-time targets at the moment".—[*Official Report*, 29 June 2010; Vol. 512, c. 698.]

I ask the Prime Minister to give us a straight answer. Will cancer patients keep their guarantee to see a specialist within two weeks—yes or no?

The Prime Minister: For some people, two weeks is too long. That is the whole point. If a target contributes to good clinical outcomes, it stays; if it does not, it goes.

Now let the right hon. and learned Lady answer a question. Is it your policy—*[Interruption.]* I know that the right hon. and learned Lady is not involved in the leadership election, which basically involves sucking up to the trade unions, but she is capable of answering a question. Is it Labour policy to cut the NHS?

Mr Speaker: Order. I hope that the right hon. and learned Lady will confine herself—as I know she will want to do—to her role, which is not to answer questions but to ask them.

Ms Harman: Thank you, Mr Speaker, and the Prime Minister has still not answered. He is obviously ditching the guarantee for cancer patients, but he has not the guts to admit it to the House. Perhaps he can be more straightforward with this question. The White Paper says that his reorganisation of the NHS will mean extra up-front administration costs, but it does not give the figure. Surely he must know the figure. How much extra will it cost next year?

The Prime Minister: We are cutting £1 billion of administration from the NHS. We are cutting administration costs by 45% over the next Parliament. Obviously Labour Members cannot answer questions, because they have no answers, but perhaps it is not unfair to point out that they are now defending the bureaucracy of the NHS. We say that the primary care trusts and the strategic health authorities—all that additional bureaucracy—should go. We want the money to be spent on treatments, on patients, on doctors and on nurses. The right hon. and learned Lady is left defending the vast bureaucracy that saw the number of managers go up far faster than the number of nurses. Is that still Labour policy?

Ms Harman: The Prime Minister is talking about longer-term speculative savings, but he has not answered my question. It is no good him resorting to his usual ploy of asking me questions. I am asking about the real costs of his reorganisation next year—the very time when he says his priority will be cutting administration and cutting the deficit. The White Paper admits that there will be extra costs because of loss of productivity, staff relocation and redundancy. Does the Prime Minister stand by what he said just a few months ago about NHS reorganisations? He said:

"The disruption is terrible, the demoralisation worse—and the waste of money inexcusable."

The Prime Minister: We are not reorganising the bureaucracy; we are scrapping the bureaucracy. Is it really Labour's great new tactic that the right hon. and learned Lady will be left defending the bureaucracy of primary care trusts and strategic health authorities and all the quangos and all the bureaucrats, all of whom are paid vast salaries and huge pensions? Is that the new divide in British politics: they back the bureaucracy, we back the NHS? *[Interruption.]*

Mr Speaker: Order. The hon. Member for South West Bedfordshire (Andrew Selous) should calm himself. If he is trying to catch my eye, he has not got much chance at this rate.

Bob Russell (Colchester) (LD): Voluntary organisations and charities were not responsible for the banking crisis, nor for the financial crisis left by the last Labour Government. As we both value voluntary organisations and charities, will the Prime Minister discuss with his Treasury colleagues how the increase in VAT that those organisations have to pay can be refunded to them?

The Prime Minister: I will certainly have those conversations with the Treasury, and we will want to do everything we can to help what used to be called, rather condescendingly, the third sector but I believe is the first sector: the excellent charities, voluntary organisations and social enterprises that do so much for our country. One thing we should do is look at funding them on the same basis as the Government fund themselves. The Government are always very generous with their own bureaucracy, and they need to recognise that so often these first sector organisations have the right answers to the social problems in our country.

Q2. [8053] **Lilian Greenwood** (Nottingham South) (Lab): Will the Prime Minister guarantee that firefighters and police officers, who we all rely on to undertake dangerous and physically demanding jobs, will retain the ability to retire and access their occupational pensions before reaching state pension age?

The Prime Minister: First, may I welcome the hon. Lady to the House? I will look very carefully into what she says. As she knows, we have a review of pensions taking place, which is being carried out by the former Labour Minister, the former Member for Barrow and Furness, who has great expertise in this area. He will be making two reports, one before Christmas and another in the new year, where we can look at the issue of public sector pensions and try to reach some fair resolutions—and I think that is something all parties should be involved in.

Chris Heaton-Harris (Daventry) (Con): Will the Prime Minister consider having another conference call with Mark Zuckerberg, co-founder of Facebook, whose site is currently hosting the group "RIP Raoul Moat",

where a whole host of anti-police statements are posted? Can the Prime Minister have a conversation with Mark Zuckerberg about removing this group?

The Prime Minister: My hon. Friend makes a very good point. As far as I can see, it is absolutely clear that Raoul Moat was a callous murderer—full stop, end of story—and I cannot understand any wave, however small, of public sympathy for this man. There should be sympathy for his victims, and for the havoc he wreaked in that community; there should be no sympathy for him.

Q3. [8054] **Valerie Vaz** (Walsall South) (Lab): In 2005, the pupils of Joseph Leckie community technology college made a DVD depicting their crumbling school. The Labour Government gave them £6 million. Morally and legally their legitimate expectation was to have their funding continued, so please will the Prime Minister ask the Secretary of State for Education to take some time out from his "I am sorry" tour of the country to meet me in Walsall South and explain his decision—the fifth version—to Joseph Leckie school, and also to Alumwell business and enterprise college?

The Prime Minister: I am sure that my right hon. Friend will be happy to meet the hon. Lady, whom we should all welcome to this House. Presumably, she has come here to keep an eye on her brother and to see what he has been up to. Let me just say this about the apology tour. I think there is something quite refreshing about a Minister who makes a mistake, comes to the Dispatch Box and makes an apology. *[Interruption.]* They have got their hands in the air—the right hon. Member for Morley and Outwood (Ed Balls) has got his hand in the air. Can anyone put their hand up if they ever remember him apologising for anything, ever? He can start by apologising for the fact that for the last three years, he has been telling us that the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown) is actually the best thing since white sliced bread, and now we are being told that he is mad, bad and dangerous.

Nick Boles (Grantham and Stamford) (Con): The BBC Trust has described BBC 1 and BBC 2 as boring. Does my right hon. Friend agree that the gaiety of the nation would be immeasurably enhanced by the televising of a 17-part psychodrama called "New Labour", with Lord Mandelson playing himself?

The Prime Minister: I think—

Mr Speaker: Order. Much as it might be fascinating to hear the Prime Minister's reply, I do not think it is a matter of Government responsibility at all.

Q4. [8055] **Hugh Bayley** (York Central) (Lab): Taking account of the measures in the Budget and the briefing the Prime Minister has received from the Treasury, does he believe that unemployment in the north of England in 12 months' time will be higher or lower?

The Prime Minister: What you can see from the Office for Budget Responsibility forecast is that, according to it, there will be a fall in unemployment in every year during this Parliament. That is because, like others—like the OECD, which made it so clear yesterday that the Budget is courageous, responsible and right—we are putting this country back on the path to prosperity from the complete picture of ruin that the last Government left.

Q5. [8056] **Nadine Dorries** (Mid Bedfordshire) (Con): Thanks to the massive deficit left by Labour, all but two departmental budgets are to be cut by between 25% and 40%. Can the Prime Minister tell us whether we are about to see a 40% reduction in the funding sent to Brussels, and is the European budget also to be cut?

The Prime Minister: It is very true to say that all international organisations have to recognise that, as we make painful budget reductions in this country, they should be looking to their budgets also. I have to say that one thing we will not be doing is giving up part of the rebate for absolutely nothing in return, which is what Labour did.

Angus Robertson (Moray) (SNP): Phase 2 of the Ministry of Defence strategic defence review is currently reporting back. Under consideration for closure and cutback in Scotland are two of three airbases, the only Royal Marine base in the country, minesweepers on the Clyde and aircraft carrier contracts—and that is before we even get to the Army. We expect regimental and battalion amalgamations and the remaining command functions at Craigiehall to go, and there is also the question of the future of Fort George and the Territorial Army network. Does the Prime Minister not understand that this is a wholesale destruction of conventional defence capability in Scotland?

The Prime Minister: Obviously, we have to have a defence review, as the Opposition recognise. I always find the position of the Scottish National party on this quite confusing. I did not think that the SNP was in favour of having a British Army, a Royal Air Force or the British Navy. Perhaps if the policy has changed—*[Interruption.]* What we will be having is a defence review, and if the hon. Gentleman wants to make a submission to it he is very welcome to do so. I am sure it will be taken extremely seriously.

Q6. [8057] **David T. C. Davies** (Monmouth) (Con): As far as I am aware, it is not standard practice in the public sector for workers to fund and equip their offices out of their own pockets, and then to negotiate a bureaucratic obstacle course in order to get the money back—if they are lucky. Can the Prime Minister tell us whether he thinks this a good system for Members of Parliament, or whether it is undermining efforts of MPs in all parts of this House, who want to offer a good service to their constituents?

Hon. Members: Hear, hear!

The Prime Minister: My hon. Friend asks a popular and well-placed question—*[Interruption.]* I will answer him seriously; I think it is important. What we wanted to have and what is necessary is a properly transparent system, a system with proper rules and limits which the public would have confidence in, but what we do not need is an overly bureaucratic and very costly system. I think all those in the Independent Parliamentary Standards Authority need to get a grip of what they are doing, and get a grip of it very fast.

David Simpson (Upper Bann) (DUP): May I, along with my colleagues on these Benches, pay tribute to those who have lost their lives in recent days in Afghanistan—I join the Prime Minister in that—and to the police officers in Belfast who have been injured? May I specifically mention a Gurkha who lived in my constituency and was killed, tragically, over the past days? I visited his home last night, speaking at length to his family and, in particular, his father. They were very proud of the fact that he had achieved so much in his short life. His ambition was to be an officer with the Gurkhas. He was commissioned this year, he went to Afghanistan in March and he died in July. Can the Prime Minister assure this House that whatever investigation is held will be thorough and that details will be given to the family? May I say in closing that this House will know that, when it comes to the Crown forces, young men and women of Northern Ireland have never been found wanting? Today, we have lost another son and we hope it is the last.

The Prime Minister: The hon. Gentleman pays a very eloquent tribute to his constituent. He is right to say that we need an inquiry that gets to the bottom of what happened in this tragic, although I believe isolated, case. There is nothing you can say to parents who have lost a child that will help with the sense of grief and loss; there is nothing you can do. But it is important that they get the information to try to help achieve some sort of closure on what has happened. That is one of the many reasons why this review will be so important. Let me just say that there are now about 5,000 British troops that are fully partnered with Afghan forces, working together day and night. When we hear their stories about how well they are working together it does gives us hope that we are building an Afghan army that we will be able to hand over to. We must not lose sight of that, in spite of all the difficulties.

Q7. [8058] **Stephen Hammond** (Wimbledon) (Con): Three years ago, the Conservative council in my constituency recognised the need for a new primary school. It identified the site and, having sorted out the financial mess that the Labour council had left before it, committed the funding. Despite being left the funds, the Labour council leader is now publicly failing to commit to building this school. Does the Prime Minister agree that my constituents should conclude that this is the reality: the Labour party is saying one thing and doing another, and is endangering schoolchildren's education?

The Prime Minister: My hon. Friend makes not only an important local point, but a very important national point, which is that Building Schools for the Future did nothing for primary schools. There is actually a growing problem of a shortage of primary school places, which was not being addressed by the previous Government but which will be addressed by this Government.

Q8. [8059] **John Robertson** (Glasgow North West) (Lab): The Prime Minister will be aware of members of his own party using parliamentary rules to try to undermine the national minimum wage. Can he, here and now, dedicate himself to maintaining the national minimum wage, not only ensuring its support, but ensuring that it increases in line with inflation in the years to come?

The Prime Minister: I can absolutely give the hon. Gentleman that assurance. We support the national minimum wage, we support its regular updating and that is one of the many good things set out in our coalition agreement.

Q9. [8060] **Angie Bray** (Ealing Central and Acton) (Con): In south Acton, the Acton Community Forum is piloting an extremely good scheme called "Generations Together", which is all about encouraging each generation to pass on its own skill sets to each other; basically, it is about getting the community to help itself. Does the Prime Minister agree that this is an excellent example of what the big society is all about?

The Prime Minister: I agree. I have to say to Labour Members, who sort of sigh every time an hon. Member actually mentions a worthwhile charity, voluntary body or project that is doing something in their communities, that we are going to change the way we do politics in this country. Instead of endlessly talking about the money that goes in, let us talk about the outcomes that come out. I think that that is a better way of doing things.

Q10. [8061] **Ms Karen Buck** (Westminster North) (Lab): I am delighted to report that GCSE pass rates have doubled in Westminster in recent years and four brand-new schools have opened. This week, the Prime Minister was quoted as saying that he was "terrified" of his children attending a local school. May I ask him to swallow his fear and instead join me in acknowledging the enormous progress that has been made, particularly in London's secondary schools, in recent years?

The Prime Minister: I am pleased to say that my children attend a local school in Conservative-controlled Kensington and the other part of her constituency, Conservative-controlled Westminster. Of course there are good schools in London and of course progress is being made, but like any parent looking at the state of secondary education, you want to know that there are going to be really good schools, really good choice and a diversity of provision. That is what we are going to ensure and I hope that the hon. Lady will vote for it when the time comes.

Andrea Leadsom (South Northamptonshire) (Con): Is the Prime Minister aware that I and colleagues had the privilege of a visit this week from the Royal Anglian Regiment. Will he join us in thanking them for their amazing professionalism and for the work that they do for us?

The Prime Minister: I will certainly do that. The regiment's members have served in Afghanistan on a number of occasions and on one occasion I met them in Helmand province and heard them speak about some of the incredibly difficult decisions that they had to take and some of the very brave things they had done. We should recognise that we have been in Afghanistan in one form or another since 2001. Many soldiers are going back again and again. That puts pressure on them and on their families and it just means that we need to redouble everything we do to support their families and our brave servicemen and women.

Q11. [8062] **Mr Russell Brown** (Dumfries and Galloway) (Lab): Dr Kieran Breen, the director of Parkinson's UK, has been on the BBC this morning discussing the

start of a clinical study in Oxford using skin cells. All of us in this House want to see ongoing research into finding answers to degenerative conditions such as Parkinson's and Alzheimer's. Will the Prime Minister assure the House that despite the global economic conditions this Government will not cut back on their funding for medical research?

The Prime Minister: No one wants to see reductions in those programmes—they are very important—but, like everything else there is a comprehensive spending review—*[Interruption.]* It is no good Opposition Members making that point—whoever was standing here right now would have to look at public spending programmes and make sense of them. I have to say that they should perhaps listen to the speech that the shadow Trade and Industry Secretary is going to make this afternoon. Quite rightly, he is going to say that fighting

"the cuts is a tempting slogan in opposition...But if that is all we are saying the conclusion will be drawn that we are wishing the problem away."

We have a new problem in British politics. They are called "deficit-deniers" and I am looking at a whole row of them.

Q12. [8063] **Nadhim Zahawi** (Stratford-on-Avon) (Con): Does my right hon. Friend agree that the case of Mr Nur and his family, who have moved into a £2,000 a week house in Kensington at taxpayers' expense, is exactly the sort of thing that the coalition was elected to fight against?

The Prime Minister: My hon. Friend is absolutely right. The housing benefit situation, particularly in central London, has got completely out of control. The idea that a family should be able to claim £2,000 a week for their house is an outrage for people who go to work every day, pay their taxes and try to do the right thing for their family. That is why we will cap housing benefit levels from April next year so that the maximum that can be claimed will be £400 a week for a property with more than four bedrooms. Many people on ordinary incomes will look even at that £400 and find it to be very generous help for people. Every penny of that comes out of hard-earned taxes.

Q13. [8064] **Mr Angus Brendan MacNeil** (Na h-Eileanan an Iar) (SNP): The coalition agreement mentions rural fuel derogations. My constituents in the Outer Hebrides pay more fuel tax per litre than just about anybody in the UK. However, there is no mention of VAT in the coalition agreement, and that will affect road transportation. Is it not reasonable, surely, to ask for a rural fuel derogation before January, when the VAT rise comes in, in the interests of respect and fairness?

The Prime Minister: We are looking at the rural fuel issue and obviously the hon. Gentleman has a friend, as it were, in the Treasury in the Chief Secretary, who also has a large rural Scottish constituency. I know that the issue will be considered seriously and that discussions will be had. When we have something to say, we will come back and talk about it.

Q14. [8065] **Andrew Stephenson** (Pendle) (Con): In the week of the NHS White Paper, will the Prime Minister resist calls—wherever they come from—to cut the NHS budget?

The Prime Minister: My hon. Friend makes an extremely good point. Yes, we have to take difficult decisions but, when we look at the NHS, we know that there are expensive drugs coming down the track, expensive treatments and an ageing population, and more children born with disabilities and living for longer. There are cost pressures on our NHS that mean that even small real-terms increases will be an heroic thing to achieve. I think that the Opposition have completely lost touch and lost their senses to think that you can somehow cut the NHS.

Lindsay Roy (Glenrothes) (Lab): As a former head teacher, I endorse the commitment given by the Prime Minister to improving discipline in schools and in education more widely. May I ask him what special measures he, as the Head of Government, plans to invoke in relation to his Education Secretary, who has failed to do his homework properly on five occasions in the past week?

The Prime Minister: In the week of the Mandelson memoirs—to get a lecture on ill discipline. We used to say that the Labour Government were dysfunctional and shambolic and that they were all at each other's throats, but we were wrong—it was much, much worse than that.

Q15. [8066] **James Wharton** (Stockton South) (Con): The Prime Minister will be aware that former Para and Teessider, Anthony Malone, has languished in an Afghan jail for more than two years and is still being held in lieu of payment of an outstanding debt. Given that his imprisonment is potentially in breach of international law, will the Prime Minister put pressure on the Afghan Government to secure Mr Malone's release?

The Prime Minister: My hon. Friend is absolutely right to raise this case, which is worrying. I can assure him and Anthony Malone's family and friends that the British embassy continues to raise this case with the Afghan authorities. The ambassador in Kabul has raised the case with the Minister of Foreign Affairs, and we are in discussions at the moment with the Afghan Attorney-General about why Anthony Malone continues to be detained. If my hon. Friend keeps in touch with my office, we will keep in touch about developments in this case.

Points of Order

12.31 pm

Jeremy Corbyn (Islington North) (Lab): On a point of order, Mr Speaker. You have made it very clear on a number of occasions that Ministers should make statements to the House first, rather than making them elsewhere. In response to a number of recent questions, the Secretary of State for Defence has refused to say what the outcome of the review of the costs of Trident is and has urged Members to wait until the statement at the end of the month. However, today's *Guardian* reports that, in a speech yesterday at Chatham House, he decided, unannounced, that Trident was "pretty good value" for money, giving an indication that the review is of no consequence whatever and therefore that he has already made up his mind on this matter. Is there any way in which you can ask him to make it clear to the House whether his answers mean anything or not?

Mr Speaker: I thank the hon. Gentleman for his point of order, but I am not sure that there is a matter for me immediately to rule on because I do not have the material in front of me. However, it does seem to me a point that he can reasonably raise with the Secretary of State for Defence, and I have a feeling that he is likely to do so sooner, rather than later.

Vernon Coaker (Gedling) (Lab): On a point of order, Mr Speaker. Can I ask you, and, as he is in his place, the Leader of the House, to look into something that has come to light this morning? I have inquired at the Public Bill Office about the procedure regarding the Academies Bill next week and it appears that amendments for Committee are to be tabled after Second Reading, but as the first day of Committee is next Wednesday, amendments from Front Benchers have to be given to the Clerk at the Table of the House at 10 o'clock on Monday. They will then have to be checked in the House and if there are any technical issues, there will be a problem. This system means that if any Government, Opposition or other Back Benchers decide during Second Reading that they want to table an amendment, they would have to know that they had to do so at 10 o'clock, before the closing of the House at 10.45 pm, or whenever the business finishes. Is it not an extraordinary way of running business to say that people have to table amendments on the same day as Second Reading? That is highly unusual and will make it very difficult for us properly to hold the Government to account on this Bill.

Mr Speaker: I am grateful to the hon. Gentleman for his point of order. I think I am right in saying that if there were to be a facility for amendments to be tabled before Second Reading, that would require a motion in the name of the Government. In the absence of such a motion, I think that the Chair would give sympathetic, and certainly due, consideration to starred amendments. I hope that that is all readily intelligible to the hon. Gentleman and, of course, the whole House.

Mr Peter Bone (Wellingborough) (Con): On a point of order, Mr Speaker. I do not know whether you are aware that shortly before Parliament opened today, the road outside Westminster was temporarily closed by a demonstration by the stop the trafficking campaign. Is it not amazing that so many people can be so bothered and concerned about 20th-century slavery that they can actually stop the traffic outside Parliament?

Mr Speaker: It is, indeed, amazing and it also enables the hon. Gentleman, whose work on trafficking is respected across the House, to underline the importance of the campaign. That is precisely what he has done and I have a feeling that he will share the *Hansard* report of his point of order with people in Wellingborough.

Ed Balls (Morley and Outwood) (Lab/Co-op): On a point of order, Mr Speaker. The issue of the five lists and the mishandling of the Building Schools for the Future announcement was raised at Prime Minister's questions. You will know that, on Sunday, I wrote to the Secretary of State for Education and copied the letter to you, to ask for a clear answer to the question of whether, a week ago, before the first list was published, the Secretary of State was advised by his departmental officials not to proceed on this course but to consult local authorities instead, because of the danger of getting the lists wrong and causing both confusion and legal challenge. I have had no reply yet from the Secretary of State. I wonder whether you think that that is in order or a gross discourtesy both to you and myself.

Mr Speaker: I do not think that there is anything disorderly at all at this stage, but if the right hon. Gentleman is dissatisfied by the absence of a reply to his letter, it is perfectly open to him to table questions to inquire when he can expect a reply. I have a feeling that that device, and possibly other parliamentary devices, will spring into the right hon. Gentleman's fertile mind.

Paul Flynn (Newport West) (Lab): On a point of order, Mr Speaker. May I thank the Prime Minister for restoring to its proper place the reading of the names of the fallen in Afghanistan? As you know, that has not happened in the past three weeks, and there was considerable unhappiness because the names were read out at other times. Can we look forward in future to the names of those who, sadly, will fall in the next few weeks being read out at a time of the maximum attendance of MPs and the maximum attention on the House from outside?

Mr Speaker: The answer to the hon. Gentleman's question is that I think that there is great merit in that proposition, which is in no sense a partisan or political one. If there is to be any change on this matter from what has happened this week or that, it is something that should usefully be discussed with the people who make these announcements. Rather than pronouncing upon that here, it would be better for me to talk to other people who are directly involved in these matters, and the upshot of any such discussion will become known to the hon. Gentleman sooner rather than later.

Mr Laurence Robertson (Tewkesbury) (Con): On a point of order, Mr Speaker. We heard in Prime Minister's questions about the difficulties being experienced in Northern Ireland. May I bring it to your attention, Sir, that the Select Committee on Northern Ireland Affairs is not yet up and running, despite the fact that I had the honour of being elected its Chairman some weeks ago? I am not making accusations, but I understand that the

[Mr Laurence Robertson]

problem is that the Labour party has not submitted its names to the Committee of Selection. I understand that that Committee meets later today. Will you use your good offices to try to encourage the Labour party to submit its names, so that the Northern Ireland Affairs Committee can begin to undertake what could be very important work?

Mr Speaker: The difficulties that the hon. Gentleman describes in respect of his Select Committee apply also to a number of others. Of course, I am in favour of the speedy constitution and operation of Select Committees; but, sadly, that matter is not in my hands. I have no power in this regard, notwithstanding the hon. Gentleman's enthusiasm to ensure that I have. I hope that that is helpful, but his point will have been heard, not least by those to whom he was indirectly addressing it.

Carers (Identification and Support)

Motion for leave to bring in a Bill (Standing Order No. 23)

12.38 pm

Barbara Keeley (Worsley and Eccles South) (Lab): I beg to move,

That leave be given to bring in a Bill to require health bodies and general medical practitioners, and certain other organisations, to identify patients who are carers or who have a carer; to require identified carers to be referred to sources of help and support and to make further provision in relation to such arrangements; to make provision in relation to the responsibilities of local authorities and schools for the needs of young carers and their families; and for connected purposes.

In April 2007, I introduced a similar Bill aimed at helping to ensure that carers and young carers were identified and referred to sources of advice and support. I am reintroducing the Bill today because, although some progress has been made, there is still much work to be done. We have a population that is living longer and living more often with dementia, illness or a long-term condition. It has become clear that more and more families are stepping in to provide full-time and high levels of care.

The 2001 census found that 10% of all carers in the UK were caring for more than 50 hours a week. Provisional figures published last month by the NHS Information Centre show that that figure has now more than doubled to 22%. In Salford, which is the local authority that covers my Worsley and Eccles South constituency, the proportion of carers providing full-time care has been at a higher level for some time. In 2001, some 24% of Salford carers provided care for more than 50 hours a week, which was more than twice the national figure for those with the heaviest caring commitments.

Carers play a vital role in helping with social care. They are key partners in care for the NHS, but their own health is threatened by caring. We know that full-time care can take a toll on carers' health, so the health needs of carers must be recognised. Carers who care for 50 or more hours a week are twice as likely to suffer from ill health, while those caring for a person suffering from dementia or stroke disease are even more at risk of ill health. We must act to ensure that those who care for more hours than are associated with a full-time job are identified and then supported.

Early identification and support for carers means that they can maintain their health, and better manage and sustain their caring role. My Bill would require GPs to identify patients who are carers, or who have a carer, and to take the carers' needs into account. It would also require schools to have a policy to identify young carers.

Some progress has been made over the past 10 years on identifying carers and referring them to support. We started with the first national carers strategy in 1999, when GPs and primary health care teams were given a five-point checklist for use with carers in their practice populations. By 2008, The Princess Royal Trust for Carers and the Royal College of General Practitioners had created a best practice guide and self-assessment toolkit called "Supporting Carers: An action guide for general practitioners and their teams". GP training pilots followed, as did awareness training modules on carers in the skills for care and skills for health programmes.

Research shows, however, that the work done nationwide by GPs to identify carers in their practice populations is still inconsistent. Only a small proportion of the total number of carers is identified. Even those GP practices with good links to their local carers centres are not identifying all the carers whose health might be affected by caring responsibilities. A pilot programme in Devon that was featured at the recent international carers conference reported that one of the crucial factors in the sustainability of such work in primary care was having a lead GP in each practice to act as a strategic figurehead. The Princess Royal Trust Salford carers centre is working on that so that the lead GP ensures that their GP colleagues are on board and making the necessary referrals. Salford carers centre works jointly with many local practices and gives them access to the list of carers of whom the centre is aware. I have no doubt that such work in primary care has increased the registration of carers and is leading to positive outcomes. "Personal Social Services Survey of Adult Carers in England—2009-10", which was the first national user experience survey of carers, found that carers in Salford whose GP knew that they were a carer reported that they always or usually felt supported by their GP.

The Bill also contains an important provision for schools to recognise the needs of young carers and their families. Young carers are the most hidden group of carers. Research conducted in May by The Princess Royal Trust for Carers found that only 40% of young carers said that their teachers were aware of their caring role. Figures in the last census suggested that 2% of all children in the UK were young carers, but it is difficult to obtain accurate figures because of the hidden nature of such caring, so the percentage could be much higher.

Young people and their parents are often silent about the extent of the support that a child provides because of guilt or fear of separation. To combat that, we need to introduce measures so that schools and local authorities recognise the problems faced by young carers. It is likely that the most vulnerable young carers will continue their caring role throughout their childhood without any support. Young carers might have parents with substance misuse or alcohol problems. The extent of that problem is not fully understood, but according to the charity Turning Point, up to 1.3 million—or one in 11—children in the UK live with parents who misuse alcohol or are problem drug users. Such children might find themselves responsible for their own and their parents' safety. My Bill would place duties on social services authorities to consider what support services are needed to sustain the parenting role in such families. When a parent is assessed for community care services, support should be offered if it is found that the adult relies on the caring role of his or her child so that we ensure that the health, education and well-being of the child or young person are not impaired by such caring responsibilities.

Young carers may have a parent with an illness or with a learning or physical disability, and the parent may rely on the care from their child. Such children miss out on their education and can find themselves misunderstood at school. When they are missing from school due to caring responsibilities they are treated as truants by teachers and often bullied by other children. My Bill would require that both schools and local authority children's services have written policies in place to support such young carers. The Princess Royal Trust for Carers is campaigning for schools to have a nominated lead on young carers' issues, and this could be implemented by the Bill.

Many health and social care professionals are frustrated by the different thresholds for service provision for different client groups. An adult mental health worker may be aware of children affected by their parent's mental health condition, but unless the children are at risk of serious harm, the health professional will probably not be able to help them, so the general duties to young carers and their families outlined in my Bill would help. A simple joint working protocol between children's and adults' services, combined with a training programme for staff, would help with this problem.

The measures in my Bill would ensure that health professionals identify carers and refer them to much needed help and support. My Bill is supported by Carers UK and The Princess Royal Trust for Carers. I would like to thank Carers UK and Luke Clements for helping me to draft the Bill, and Gordon Conochie of The Princess Royal Trust for Carers for his input. I would also like to thank Julia Ellis and Dawn O'Rooke from The Princess Royal Trust Salford carers centre, whose work has created an excellent example of good practice in identifying carers within primary care.

I thank you, Mr. Speaker, and the House for giving me the opportunity to present the Bill today.

Question put and agreed to.

Ordered,

That Barbara Keeley, Diana R. Johnson, Andrew Gwynne, Ann Coffey, Kate Green, Nia Griffith, Luciana Berger, Mr. David Anderson, Tony Baldry, Annette Brooke and Caroline Lucas present the Bill.

Barbara Keeley accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 12 November 2010, and to be printed (Bill 55).

Police Grant Report

12.47 pm

The Minister for Police (Nick Herbert): I beg to move,

That the Police Grant Report (England and Wales) for 2010-11: Amending Report 2010-11 (House of Commons Paper No. 47), which was laid before this House on 10 June, be approved.

The Government's top priority is to reduce the unprecedented budget deficit that this country faces. As a first step towards achieving that aim, the Chancellor of the Exchequer announced on 24 May a £6 billion package of savings across the public sector. The Home Office share of this spending reduction is £367 million. In order to minimise the impact on the police service, the Home Office has cut a greater than proportionate share of its central budget by bearing down significantly on overheads and reducing waste, including cuts to consultancy services, marketing costs and travel. National policing organisations have been required to make significant savings too. For example, the National Policing Improvement Agency will make a saving of £40 million this year, on top of a £73 million saving already planned for this year. That is a greater proportionate cut than we are asking police forces to make.

However, the police account for well over half of Home Office spending, so we cannot make the necessary savings at the centre alone. We need the police to contribute to the drive to efficiency. On 27 May, I announced my intention to reduce this year's core Government funding to the police by a total of £135 million. I propose that this will mostly be achieved by a £115 million reduction in rule 2 grant, for which the Government today seek the House's approval. Those proposed reductions to police funding are fair and reasonable. Every force is treated equally, with a cut equivalent to 1.46% of their core funding from central Government.

Keith Vaz (Leicester East) (Lab) *rose—*

Mr Brian Binley (Northampton South) (Con) *rose—*

Nick Herbert: I give way first to the Chairman of the Home Affairs Committee.

Keith Vaz: Obviously the Minister regards those reductions as fair and reasonable; others might not regard them in that light. At the end of the day, he must have received some advice from his officials, so will we have fewer police officers on the front line as a result of what the Government propose to do?

Nick Herbert: We do not believe that there need be fewer police officers as a consequence of the savings that we are asking the House to approve today, for the simple reason that, as I said, the savings amount to less than 1.5% of the core funding that forces receive from central Government. Police forces can make those savings and the front line can be protected.

Mr Binley: My right hon. Friend clearly makes the point that there will be equal cuts throughout the country, yet the previous situation meant a massive imbalance thanks to corrupt formula funding and the damping effect, which affects my county of Northamptonshire immensely unfavourably. Will he consider the matter and tell the people of Northamptonshire that he will review formula funding and remove the damping process?

Nick Herbert: I understand my hon. Friend's concern and hear the passion with which he intervenes on me. The purpose of damping was to ensure that no force received less than a minimum increase in funding each year and therefore to provide financial stability, but I appreciate the concerns about the process, not least from forces such as my hon. Friend's in Northamptonshire, which feel that they have lost out by subsidising others. It has been the intention for some time—it was the intention of the previous Government—to remove the damping mechanism, and I shall look again at those issues and the position of individual forces once we know the situation in the spending review, to which I shall come. I shall try to ensure fairness, but I should say to my hon. Friend and to right hon. and hon. Members from all parts of the House that there is no pot of gold or easy solution to the situation that all forces currently face and will face. Whatever the funding formula and the adjustments, we and every force will all have to make significant savings, and I should not pretend otherwise to my hon. Friend.

Geraint Davies (Swansea West) (Lab/Co-op): Does the right hon. Gentleman accept that in constituencies such as mine, where the police are already having to make efficiencies, these further efficiencies—of £6 million throughout Wales, I think—will inevitably lead to cuts in front-line policing, and that, alongside cuts in education, which will lead to more drug abuse, and cuts in the number of public service workers, which will lead to unemployment, there will be greater pressure on the police and fewer police to sort out that pressure? Will we not see an increase in crime, as we did under the previous Conservative Government?

Nick Herbert: No. I accept no part of what the hon. Gentleman says. We are talking about in-year cuts in relation to police forces of less than 1.5% of their Government funding, and we do not believe that that will mean that police forces have to cut front-line services. We believe that forces can make efficiencies, albeit in in-year services, so we do not believe that it will impact on crime levels. Indeed, I should say that the reason we have to make these savings is this Government's inheritance from the previous Government, which left us with a budget deficit. It is our responsibility to tackle it, and if the hon. Gentleman and his hon. Friends have concerns about future police funding levels, they should address them to their right hon. Friends who were in charge of the country's Exchequer and finances, and who supported the misjudgments that have left us all in this position.

Mr Stewart Jackson (Peterborough) (Con): Obviously we want an honest debate that is essentially focused on the evidence. Is it therefore noteworthy that on 20 April the former Home Secretary, the right hon. Member for Kingston upon Hull West and Hessle (Alan Johnson), specifically ruled out guaranteeing that police numbers would stay the same or increase? That is important for Opposition Members to take into account.

Nick Herbert: My hon. Friend is exactly right. On 20 April, in a "Daily Politics" general election debate, the right hon. Gentleman, now the shadow Home Secretary, was asked in terms whether he could guarantee that police numbers would not fall if Labour formed the next Government. He replied, "No." He could not offer

any such guarantee. But more than that, we know that the Labour Government were planning—indeed, we inherited spending plans—to cut departmental budgets by £44 billion a year by 2014-15. That would have been £44 billion of unallocated spending cuts. Where did they think they were going to get that money from? What services were they going to cut? They would not tell us, but the figure implied an average real reduction for unprotected Departments of 20%. Let us be clear: where cuts have to be made to police forces, they are Labour's cuts; they are the cuts that Labour bequeathed to us because of its financial mismanagement.

Caroline Flint (Don Valley) (Lab): What assessment has the right hon. Gentleman made of the increase in costs to the police of having elected police commissioners?

Nick Herbert: We will shortly say more about the policy of directly elected individuals. It was a manifesto commitment that we made, and that reform will be valuable in protecting front-line policing and neighbourhood policing. I shall come on to that shortly, if the right hon. Lady will forgive me.

Robert Halfon (Harlow) (Con): Does the Minister accept that 50% of a police officer's time is actually spent at the police station doing paperwork, and that if we get rid of such paperwork and targets we will get more police out on the street and therefore save the taxpayer money?

Nick Herbert: I strongly agree. There would be little point in recruiting additional police officers—if we had the budget to do so, and we do not—if they did not spend their time out on the beat, delivering the visible and available policing that the public want. One paradox of the past 10 years is that, in spite of a substantial increase in police officer recruitment, the public still feel that the police are not sufficiently visible or available.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): What discussions has the Minister had with Boris Johnson about the impact of these cuts in London? I ask in the context of the Mayor having already decided to cut 455 police officers, and refusing to guarantee the long-term future of safer neighbourhood teams in each London borough.

Nick Herbert: I have discussed these matters with the deputy Mayor who has responsibility for policing. I shall discuss them with the Mayor, and I have had a number of discussions, as has my right hon. Friend the Home Secretary, with the Metropolitan Police Commissioner. They do not believe that the budget cuts, which the House will vote on today, amounting to—I repeat—less than 1.5% of what the Government provide to forces, require them to reduce the number of officers in the force. However, we will take no lessons about cutting police numbers from Opposition Members, as they clearly would not guarantee force levels and left this Government with the responsibility of managing the public finances properly.

Neil Parish (Tiverton and Honiton) (Con): When my local police make an arrest, it takes them seven hours to complete the paperwork. There are great savings to be made in police time, and some of that work can surely be passed to civilians. There are savings to be made, but we can still keep front-line police on the beat.

Nick Herbert: I agree. Of course there are savings to be made through more efficient working practices. We are determined to try to drive down bureaucracy in order to free up more police time, and there will be better management of police officers' time. For instance, the Metropolitan Police Commissioner pointed out this week that he had increased the availability and visibility of the police by requiring officers to patrol individually rather than in pairs.

Mark Tami (Alyn and Deeside) (Lab): The right hon. Gentleman talked about manifesto pledges. What does he say about the manifesto pledge of his coalition partners, who promised us 3,000 extra police?

Nick Herbert: As the hon. Gentleman knows, we have a coalition agreement that has superseded manifesto pledges. The truth is that no Government would now be in a position to increase police numbers because of the fiscal inheritance bequeathed to us by Labour.

Several hon. Members *rose—*

Nick Herbert: I am going to make some more progress, if my hon. Friends and others will forgive me.

I made this announcement at the earliest opportunity to enable forces to plan ways of managing reductions that will not impact on the front line of policing. I am aware that forces will have slightly less money this year than they expected, but this is still £124 million more grant funding than was received last year. Let me repeat: even after this reduction in grant, police forces will still have more cash this year than they did last year, and Government funding for the police in this financial year will be £9.6 billion. To put the grant reduction further in context, it represents, for every force, less than 1% of their expected spend this year.

It is for chief constables to use their expertise to decide what savings make most sense for their force, but I am quite clear that these can be achieved by driving out wasteful spending on support functions, reducing bureaucracy and increasing efficiency in key functions, leaving the front line of policing strong and secure. We expect forces to be held to this by their police authorities and by Her Majesty's inspectorate of constabulary, ensuring that they are delivering the most effective service possible.

Claire Perry (Devizes) (Con) *rose—*

Philip Davies (Shipley) (Con) *rose—*

Nick Herbert: I give way first to my hon. Friend the Member for Devizes (Claire Perry) and then to my hon. Friend the Member for Shipley (Philip Davies).

Claire Perry: It will not be comfortable to stand up and defend the reduction of almost £1 million in the police grant for Wiltshire. However, we can see that this process offers enormous opportunities to improve efficiency. I am sure that my right hon. Friend agrees, for example, that police forces waste about £400 million a year by not procuring together. We have 43 police forces which all buy their own uniforms, all in the same shade of blue, thanks to the fact that Labour Members taught them that money was a free commodity. Police forces waste about £17,000 a day on renting cars because they procure them separately. Does my right hon. Friend agree that

[Claire Perry]

there are enormous efficiency opportunities, the value of which could be about £10 million for each police force in the country?

Nick Herbert *rose—*

Mr Speaker: Order. Before the Minister responds, may I say, first, that I hope the hon. Lady will now have an opportunity to breathe, which would be a very healthy thing; and secondly, that I encourage Members who intervene to bear in mind that the total duration of the debate is three hours?

Nick Herbert: I strongly agree with my hon. Friend. Of course there are greater opportunities for the 43 forces to share services and to procure collectively. I will say more about that later, if she will forgive me.

I promised, perhaps unwisely, to give way to my hon. Friend the Member for Shipley.

Philip Davies: I agree with everything that the Minister has said so far: nothing that he is announcing today will in itself cause a problem to the police. My concern is not what he is saying but things said by other Ministers that will drive up pressures on the police. For example, the Secretary of State for Justice has decided not to send persistent offenders to prison but to let them out into the community, and to stop the police using CCTV and DNA to their full capacity. Does my right hon. Friend accept that these things are putting upward pressures on the police that are not consistent with what he is announcing?

Nick Herbert: I knew that it was a mistake to give way to my hon. Friend. He must not inadvertently misrepresent what my right hon. Friend the Justice Secretary said about the use of imprisonment. We have said that we must do more to reduce reoffending. Reoffending rates, particularly in relation to short-term prison sentences, are far too high. We must break the cycle of crime. That means doing far more, innovatively, to ensure that offenders can be supervised and supported using "payment by results" models. I am sure that when my hon. Friend investigates that more closely, he will welcome the radicalism in what we are saying.

The Government will play their part in helping to protect the front line by reducing the burden of bureaucracy on forces, which several of my hon. Friends have mentioned. The Home Secretary has already announced that we will scrap the central targets, overt and back-door, that have bedevilled policing, and we are reviewing the nature of force inspection with the same aim. Labour's 10-point policing pledge will go. The previous Government spent £6 million of taxpayers' money on promoting that pledge, including on totally misleading advertisements that claimed that 80% of police time would be spent on the beat—adverts that were censured by the Advertising Standards Authority. We know what that pledge was about—propaganda and spin. That discredited Government have gone, and so has their approach.

In place of the centralised, bureaucratic accountability of the past decade, which undermined professionalism and added cost, we will introduce local democratic accountability. The introduction of directly elected individuals in 2012, together with a new focus on outcomes rather than processes, will not only strengthen the links between the police and public but unshackle police forces from Whitehall's tick-box tyranny. We want the police to be crime fighters, not form writers. We want forces to work for local people, not for Whitehall officials or Westminster politicians.

Geraint Davies: As regards the democratic election of these police officers, does the right hon. Gentleman agree that there is a danger, first, that they will no longer engage with the wider democracy of MPs, Assembly Members, councillors and so on; and secondly, that they will be hijacked by a small group about a niche issue and ignore some of the important things that the police do, such as counter-terrorism?

Nick Herbert: No, I do not believe that either of those two things is a risk. In relation to London, for instance, we now have policing arrangements that Members of Parliament in London find it perfectly possible to engage with, and we have a system whereby those who are responsible for supervising policing still attend to the functions of policing that reach beyond the local. It is perfectly possible to institute a more democratic arrangement that addresses that requirement. The important point is that there is an exchange in this regard. If we want to reduce the amount of central direction on policing and free the police to take more decisions for themselves and to have the ability to manage their forces and address local issues, then the police must answer to someone, and that is why we propose to enhance local accountability.

Henry Smith (Crawley) (Con): Unlike the deficit deniers, the Minister has pointed out that there is no golden pot of money. Can he confirm that the previous Government wasted £500 million on the idea of forced police mergers, and that there is a far more efficient way of providing the democratic accountability that our police service needs and directing the money to the front-line policing that we need?

Nick Herbert: I agree with my hon. Friend, who had experience of the problem of force mergers as leader of West Sussex county council, where such a merger was strongly resisted. Huge sums of money were wasted by the previous Government on attempting, and failing, to drive that policy through. That is not a course that this Government will pursue.

Mark Tami *rose—*

Mr Thomas *rose—*

Nick Herbert: I am going to make a little more progress.

Of course, the challenge of tackling the deficit does not end this year; as we go forward, it will be vital for the police to deliver better value for money. The Government's spending review will report in October, and we will not know until then what future police funding will look like. However, the Chancellor made it clear that unprotected Departments, including the Home Office, will face spending reductions, implying an average real cut of around 25% over the next four years. Whatever the outcome of the spending review, value for money considerations will become a new imperative for police authorities and forces.

We have been working constructively with the Association of Chief Police Officers to discuss how forces can meet the considerable challenge of reducing spending on this scale. Our joint ambition is to do everything possible to protect front-line services. We appreciate the importance of police functions that the public do not always see. Those can still be front-line services, but as I have repeated to chief constables, the people's priority is to maintain visible and available policing, and that is what we must all strive to protect.

Ian Lavery (Wansbeck) (Lab): The Northumbria police force is expected to make in-year cuts in the region of £3.5 million this year, which causes great concern to people in my constituency. We all experienced the massive manhunt in Northumberland only last week, which ended on Saturday morning. It has cost Northumbria police something in the region of £3 million, making a double whammy of about £6.5 million. Does the Minister agree that that is unsustainable, and will he review the initial £3.5 million cut?

Nick Herbert: I do not think it would be appropriate to review the spending reduction that we are asking every force to make on an equitable basis, which we announced some weeks ago subject to the approval of the House. However, there are special arrangements that can apply in relation to unforeseen expenditure by police forces. Northumbria police and its authority are well aware of that, and we will happily discuss the matter with them.

The Government's view is that more can be done to achieve greater value for money in policing through national procurement, as my hon. Friend the Member for Devizes suggested, and through sharing services, outsourcing and working more efficiently. If 43 forces can buy equipment more cheaply together, we can no longer allow anything to stand in the way of that. If tasks can be performed just as well or better by civilian staff, and so reduce costs and release sworn officers for other duties, ideology should not stand in the way. If some forces can use modern systems to improve business processes, so can others, and if some forces can show that collaborating with each other or with other local agencies delivers savings, others can take the same path. We need to see new solutions, innovation and strong local leadership. The first resort must be to drive out cost and the last resort must be reductions in police numbers.

Mr David Hanson (Delyn) (Lab): Has the right hon. Gentleman read the White Paper that we produced last December, which appears to be basically what he is reading out to the House today?

Nick Herbert: Yes, I have had the misfortune to read all the previous Government's documents. The problem is that despite the suggestion that greater savings could be achieved, for instance through collaboration, it has not always happened. Today we find ourselves in a different environment in which forces and authorities face a new imperative to find those savings. The Government are willing to ensure that those savings will be made, in return for greater local accountability.

The quid pro quo for returning power and enabling far greater local decision making is that we will be tougher about driving savings through central procurement, and about collaboration between forces where it is clear that there is a policing need—for instance in relation to serious crime that crosses force borders—or that by working together, forces can achieve better value for money. We do not support the compulsory merger of forces, as I reaffirmed to my hon. Friend the Member for Crawley (Henry Smith), but a great deal more can and must be done through enhanced collaboration.

The Government have also already announced a full review of remuneration and conditions of service for police officers and staff. We want to ensure that pay and conditions support the delivery of an excellent service and provide value for money, so that they are right for both those who work in the service and the public. Spending on the work force accounts for about 80% of police expenditure. It is therefore right to examine carefully arrangements such as the use of overtime. We will provide more information about the review, including its timing, shortly, but we will expect it to report by January next year.

Mr Thomas: Will the Minister give way?

Nick Herbert: No, I am going to draw to a conclusion now, if the hon. Gentleman will forgive me. I know that many Members wish to speak.

This Government inherited a £155 million budget deficit, one of the worst in Europe and the largest in our peacetime history. This country cannot sustain a situation in which, without action, in five years' time we will be spending over three times more on debt interest alone than on the entire criminal justice system. Achieving savings will mean driving value for money and delivering more for less. The criminal justice system, including policing, is no more immune from those imperatives than any other public service.

It is our responsibility to tackle the deficit, restore the health of the public finances and ensure that we are able to fund high-quality public services in the years ahead. We have not ducked that responsibility. It means taking tough decisions but the right decisions, and it means showing leadership. Chief constables and police authorities must show leadership, too, in demanding the savings that we can all make. For those reasons, I commend the proposal to the House.

1.15 pm

Mr David Hanson (Delyn) (Lab): I welcome the Minister to his position. He will know that it is an excellent job to have, and it is one that I certainly enjoyed in government. He has great support in the Home Office from a fine team of officials and staff in doing that job.

Having got the niceties out of the way, I come to the crunch. I am disappointed and unhappy about the approach that the Minister has taken to the in-year funding cuts for allocations to police authorities in England and Wales for 2010-11. There are a number of new Members in their places, and I do not think that they will realise that this debate was held, done and dusted, in the House in February. We had a debate then on the 2010-11 police grant. I stood at the Government Dispatch Box when we debated the third year of a settlement for the police in England and Wales. We had already announced the three-year settlement two years before, and the House was to confirm the third year on 3 February.

[Mr David Hanson]

At that time, I challenged the Liberal Democrat spokesman, who sat where my hon. Friend the Member for Wansbeck (Ian Lavery) is sitting today, and the hon. Member for Bury St Edmunds (Mr Ruffley), who was sitting where I am now. I asked whether, if they were in government in any way, shape or form—much to my surprise, the Liberals have found themselves in that position—they would reduce or change this year's grant. The answer was that they would not. In fact, the Liberal Democrats called for more spending on the police—a point that I shall return to later. Our proposals for the third year of the agreed settlement were supported by the Conservatives and Liberal Democrats in opposition but are now opposed and torn up by them in government.

One of the most distressing aspects of the debate is the fact that the third-year settlement has been agreed, is known and has been put to police authorities across England and Wales. Police authorities went into their precept-setting meetings in February, March and April based on that grant and on what they expected their income from Government to be for 2010-11.

Mr Stewart Jackson: The right hon. Gentleman is moving to the crux of the issue, despite his engaging and emollient beginning. We would take his protestations slightly more seriously if his own Government had brought forward a comprehensive spending review last autumn, and specifically if the right hon. Member for Kingston upon Hull West and Hessle (Alan Johnson) had ruled out cuts in police numbers during the election campaign. Neither happened, so we have to take the right hon. Gentleman's protestations with a pinch of salt.

Mr Hanson: I look forward to the hon. Gentleman voting today to reduce Cambridgeshire's policing grant by £1.2 million. That is what he will be doing. He needs to go back to Cambridgeshire and explain to the residents of Peterborough why he is voting to reduce the budget by £1.2 million this year. I and my 257 colleagues on the Labour Benches stood on a manifesto commitment to ensure that policing resources were maintained after the general election. We won our seats on that basis, and we are being consistent in putting forward our arguments today. The hon. Gentleman is voting to remove money from his police force.

Henry Smith: Is it not the case that only after the election, when we opened the books, did we realise just how bad the deficit was and that the former Chief Secretary had helpfully left his note on the desk for the incoming Chief Secretary?

Mr Hanson: I look forward to the hon. Gentleman going back to Crawley and telling the people how he voted today to remove £2.4 million from West Sussex police's budget. I look forward to him explaining that, and I am sure that he is looking forward to that discussion.

Claire Perry: I have already started to explain to many of my constituents, who have of course been writing and e-mailing, why we have to reduce the police support grant. Most people understand that there is no money, thanks to the Labour party's disastrous economic policy. Labour Members have been unspecific about where they would cut. This is the sort of ideology that led to the former Cabinet's conclusion that the Labour Government were "finished", "futile" and—finally in opposition. People are looking for an engaged and informed discussion about what we can do to get the deficit under control.

Mr Hanson: I look forward to the people of Devizes learning that the hon. Lady has voted for £1 million to be cut from their police grant—unless my speech convinces her to vote with Labour Members to oppose those cuts. She asked an important question about what the Labour party would do to reduce the deficit. We went into the election campaign with clear commitments. Conservative, Liberal Democrat and Labour Members did not oppose the settlement that we debated on 3 February; we agreed the grants for this year in February. For future years, we agreed that we would spend money above the rate of inflation on policing, health and education, and make the savings that we needed through a deficit reduction plan for other matters.

Mr Thomas: Does my right hon. Friend remember his visit to Harrow police station in January to hear from yet another borough commander about the need for a new police station to help Harrow police do the job that they need to do? Does he share my disappointment that the cuts will reduce the capital available to the Metropolitan police, and are probably yet another excuse for the Mayor of London to continue to refuse to help Harrow police get the equipment and facilities that they need to do their job?

Mr Hanson: Today's cuts not only reduce the capital budget but take some £28 million from London's budget. I believe that the Mayor is still one Boris Johnson, who has already agreed not to raise the precept this year. That means a real cut not only, through inflation, on the precept, but in the grant.

Mark Tami *rose—*

Mr Hanson: I will happily give way to my constituency neighbour before trying to make progress.

Mark Tami: Does my right hon. Friend agree that suggesting that today's cuts and the huge cuts to come can be achieved by getting rid of backroom staff who apparently do nothing is a cruel deception of the British people? There will be more pressure on front-line police to do the jobs that civilian staff currently undertake.

Mr Hanson: My hon. Friend is right. Not only that, but he knows that some 80% to 85% of all policing costs are for police officers and staffing. Today's reduction, and potential future reductions, will hit staff hard.

Police forces have set their precepts on the basis of the grant agreed in February, so they will now find it difficult to fulfil their strategic commitments this year. Cutting services and police numbers ultimately cuts the ability to reduce crime. I am particularly disappointed, given that Members called for support for the police during their election campaigns, that members of the coalition will go back on their commitments and vote through this unfair cut today.

I pay tribute to the police's excellent work. They work under extreme pressures, risking their safety to keep us safe. Often, as my hon. Friend the Member for Wansbeck said, they have to deal with severe emergencies. We want to ensure that we give—as we did in government—the police the powers and resources to get on with their job. As a result of investment under the Labour Government, there were record numbers of police on our streets—17,000 more police officers than when we came to power in 1997—cutting crime and making our communities safer. We have some 16,000 police community support officers—positions that did not exist when the Labour Government came to power—engaged with communities and helping reduce crime. Consequently, crime fell by 36%. In the past year alone, car crime, robbery and burglary were down. Even in a recession, firearm offences decreased by 17%, robbery was down 5%, and overall crime reduced by 5% last year. The chances of being a victim were the lowest since records began. Confidence in policing was nearly 60% and rose over the year. Labour Members fought the election on a manifesto commitment to give the police the resources to maintain that record, to ensure that they had funding and to continue that investment for the next three years.

The Minister's points about efficiencies did not escape the Labour Government. There were real concerns about how to get best value for the Government's police funding. That is why I referred to the White Paper that we produced last December, which examined cutting police overtime by some £500 million; ensuring support for merging back-office functions properly and effectively, and supporting the voluntary merger of forces. We got burned by the forced merger but wanted to ensure that voluntary mergers went ahead. We accordingly supported voluntary mergers of forces. I allocated £500,000 to Hertfordshire and Bedfordshire to consider how to develop such a merger in due course. I note that the Minister for Housing, the right hon. Member for Welwyn Hatfield (Grant Shapps), opposes such a merger. So much for concerted activity on backroom costs.

We considered national procurement, which the hon. Member for Devizes (Claire Perry) mentioned. I initiated national procurement proposals for the next few years for uniforms, vehicle support and air support. We considered removing resources and saving around £1 billion from that budget while maintaining the provision of more money to support forces' crime-fighting activities.

Caroline Flint: On force mergers, does my right hon. Friend agree that it was a question not only of saving money, but of operational efficiency? We have too many police forces that do not have the capacity to deal with serious organised crime. We face that threat alongside what happens in our neighbourhoods and on our streets. The cut in grant will have an even greater impact on that work, but we must also consider structures that inhibit effective policing on such serious matters.

Mr Hanson: My right hon. Friend is right. She knows that serious organised crime often requires a cross-border, regional approach. Crime in my area of north Wales is, sadly, often generated from Manchester and Liverpool, and the forces need to co-operate—and they do—to tackle those problems. Regional co-operation is particularly important for tackling terrorism, and it will be hit not only by spending cuts this year, but by the potential for cuts in future years.

George Freeman (Mid Norfolk) (Con): The right hon. Gentleman said that in the 13 years for which his party was in government, it took waste seriously. Why, therefore, at the end of that time, did we still have separate procurement, the cost of which the Home Office estimates to be more than £400 million a year?

Mr Hanson: Again, I refer the hon. Gentleman to the White Paper. We considered a range of things in the 13 years. In the year that I was Police Minister, from last July, I initiated procurement proposals on uniforms, vehicles, air support and other matters. Procurement is one of the subjects about which we are very concerned. There are savings to be made on it; that is a matter of common agreement.

George Freeman: You had 13 years.

Mr Hanson: I am trying to be helpful to the hon. Gentleman. I agree with him that there are savings to be made on, for example, uniforms, vehicles and air support. We were trying to do that, and I will fully support the Minister's attempts to get those contracts. However, that does not detract from the fact that the core grant for this year, which we agreed in February—without a vote, with Conservative and Liberal Democrat support—is being cut today. And we face further cuts down the line because of cuts in the Home Office grant.

Mr Stewart Jackson: The right hon. Gentleman is being generous in giving way. He was candid earlier when he said that the Labour Government were burned over the mergers. They were burned because there was no consultation and a top-down approach was forced on individual forces. Ten, eight or six years ago, the previous Government could have given police forces a fiscal incentive to share back-office functions, procurement, equipment and so on, but they failed to do that. That is a fair point to make to inform today's debate on budget reductions.

Mr Hanson: Let us revert to the subject before us. I think that there is scope for mergers of police forces. As a Minister, I encouraged the provision of a grant of £500,000 to help move that process on. I agree with the hon. Member for Peterborough (Mr Jackson) that we were burned by forced mergers. I wish the Minister a fair wind if he can continue to encourage forces that, with local support, want to merge. Mergers should not be forced from the centre, but agreed locally. Let us not disagree about that.

Labour supported mergers and procurement measures when in government, and I support the Minister for Police on them in opposition. The key is that we still require resources to undertake policing. This year, resources are being cut in-year, despite an agreed settlement; the 25% that might be cut in future years will also be damaging. That will have a serious impact on crime generally. I do not very often agree with the hon. Member for Shipley (Philip Davies), as I am sure the Minister does not, but he knew what he was talking about on DNA, CCTV, appropriate prison sentences, reducing reoffending and investment in police. He is right on those issues, and the Conservative party will be proved wrong.

[Mr Hanson]

All MPs value the increases in police officers in their constituencies in the past 13 years. Today's cut could result in the loss of about 4,100 officers from our streets this year alone, according, I should tell the Minister, to House of Commons Library figures.

Claire Perry: On that specific point, as I read the Labour party manifesto, the right hon. Gentleman was planning 20% cuts in non-ring-fenced Departments. Did the Home Office calculate what his cuts would mean in terms of a reduction in police numbers?

Mr Hanson: The hon. Lady should do her homework. The Home Office was one of the Departments that we ring-fenced in the manifesto, and we ring-fenced policing.

Claire Perry *indicated dissent.*

Mr Hanson: With due respect to the hon. Lady, I think I know the Labour party manifesto better than she, so we can stick with that for the moment.

Today's reduction means a £3.5 million cut for Northumbria police, which will interest my hon. Friends the Members for Wansbeck, for Newcastle upon Tyne North (Catherine McKinnell) and for Sunderland Central (Julie Elliott); a £28 million cut for London; a £3 million cut for Lancashire; and a £5 million cut for West Yorkshire, to name but four police areas. This year will be really difficult.

The Home Secretary, who is no longer in the Chamber, will today vote for a £4.3 million cut for Thames Valley police, and the Prime Minister will vote for a £3.4 million cut for his local force. When he visited west Yorkshire during the general election, he assured residents that the Conservatives were committed to PCSOs and police funding, but he will today vote to make a £4.8 million less available there this year. The Police Minister will today vote to reduce the amount for his force, Sussex police, by £2.4 million, after the previous Labour Government increased the number of officers by more than 100 in their 13 years in power. Those are real issues.

In January, the hon. Member for Wealden (Charles Hendry), now a Minister of State at the Department of Energy and Climate Change, wrote to my right hon. Friend the Member for Kingston upon Hull West and Hessle (Alan Johnson) to complain that the funding in the February settlement was not enough for Sussex forces, but today he will vote to cut £2.4 million from the budget. Let us get some facts straight. The Conservatives should support the grant that they agreed in February and should see it through for the police officers and police forces that knew it had been agreed in the third year of a three-year settlement. They should have seen it through before the precepts were set, so that people knew what their funding would be.

Mr Graham Stuart (Beverley and Holderness) (Con): The right hon. Gentleman said that it is important to get the facts straight. I have not seen the letter sent by the Minister of State, Department of Energy and Climate Change, my hon. Friend the Member for Wealden. Did he ask for a fair share of the funding provided to police forces for Sussex, or did he in fact make the point that Sussex's needs were not properly recognised compared with other areas? If the latter is the case, will the former Minister apologise for suggesting that my hon. Friend merely called for extra money? Perhaps he did so, but will the right hon. Gentleman spell out precisely what was in that letter?

Mr Hanson: The Energy and Climate Change Minister wrote to complain about the level of cash that the grant had given to Sussex police authority, but he will today vote for a £2.4 million cut. Indeed, the hon. Member for Beverley and Holderness (Mr Stuart) will today vote for a £1.8 million cut for Humberside police. I presume that the people of Humberside look forward to that.

I have thrown a lot at the Conservative part of the coalition, but I have saved my ire for the Liberal Democrats. In the debate in February, the Liberal Democrats did not vote against the order before the House, but called for more resources. I asked the then Member for Chesterfield how much more he thought we should give to police this year. Sadly—it is always sad when someone loses their seat, but I am always glad for people who win one—he was replaced by my hon. Friend the Member for Chesterfield (Toby Perkins) at the election. The hon. Gentleman answered by saying:

> "The Liberal Democrats have clearly said that we would divert money by abandoning particular...programmes—identity cards have been a long-standing option."—[*Official Report*, 3 February 2010; Vol. 505, c. 340.]

He said that the number of extra police resulting from abandoning identity cards would be "about 3,000". As I recall, the process of abandoning ID cards is coming to an end, so those savings can now be made. I look forward to the Liberal Democrats therefore voting not to cut resources from forces in England in Wales, and to them using their influence so that the money saved from ID cards can be used to save the resources that will be cut today.

Tom Brake (Carshalton and Wallington) (LD) *rose—*

Mr Hanson: I will happily give way to the hon. Gentleman. Will he say how, when he goes back to his constituency in London, he will explain the £28 million that he is to take off the Greater London authority this year, in-year, when his former hon. Friend argued for 3,000 extra police officers in the debate in February?

Tom Brake: Will the right hon. Gentleman confirm whether during the February debate he drew to the House's attention the fact that the Government were understating the structural deficit to the tune of £12 billion? I cannot recall him saying that.

Mr Hanson: The hon. Gentleman knows that Labour had a structural deficit reduction plan that involved looking at deficits and tax increases next year, which would have made a difference. We would also have looked at cuts in certain areas of expenditure, but police funding was not one of them.

In the light of the abandonment of ID cards, will the Liberal Democrats vote for the £28 million cut in London and the cuts in other forces this year, and against a measure that they supported earlier in the year? The Deputy Prime Minister campaigned for more funding and officers during the general election, but today he

will vote to cut £2.8 million from South Yorkshire's budget. During a televised election debate on crime on 20 April, the Energy and Climate Change Secretary, who was the Liberal Democrats home affairs spokesman, said that there would be no reduction in police numbers under a Lib Dem Government. He probably never expected to find himself in a Lib Dem Government, but sadly he has got one, and he will go through the Lobby today to take that money off his own force in Hampshire.

On her website, the Minister of State, Department for Education, the hon. Member for Brent Central (Sarah Teather), said:

"A Liberal Democrat Government would recruit 10,000 extra police."

I look forward to her walking through the Lobby today to cut £28 million from London police. The hon. Member for Manchester, Withington (Mr Leech) said that

"Withington Liberal Democrats are launching a petition to stop any further cuts in Police numbers".

I look forward to signing that petition and to the hon. Gentleman walking through the Lobby today to cut money from Greater Manchester police.

George Freeman: While the right hon. Gentleman is on the subject of misleading election promises, does he agree that there has been a major change in the fiscal reality with which the Government must now deal, as indicated when, after the election, the right hon. Member for Birmingham, Hodge Hill (Mr Byrne), the former Chief Secretary to the Treasury, left a note in his Department to say that there is no money left? If he had said that before the election, we might have had a rather more honest election.

Mr Hanson: I cannot be any clearer than to tell the hon. Gentleman that we would have implemented our deficit reduction plan and that police funding was ring-fenced.

Before I leave the subject of the Liberal Democrats, may I tell the House what the hon. Member for Bradford East (Mr Ward) said on ID cards? In March 2009, he said

"West Yorkshire Police Force could get an extra 362 officers if the government scrapped its plans for ID cards and use the money to recruit new front-line officers."

I look forward to him walking through the Lobby to remove money from West Yorkshire police today.

Chief Constable Peter Fahy of Greater Manchester police was quoted saying recently:

"We've got the lowest crime in Manchester for ten years, the lowest gun crime for eight years. We are really determined as a force to make sure we maintain that record".

However, he added:

"Eighty-six per cent of my budget is spent on people and if we want to make significant savings in policing there is only one way of doing it—which is to reduce the size of the workforce.... It is having a big impact on the morale in the force and the way it is affecting people."

The chair of Durham police authority has said:

"If you are looking at cuts of this nature so quickly, clearly it will affect jobs".

Devon and Cornwall police authority has said that these in-year cuts will result in the loss of at least 180 officers.

The cuts undermine the relationship between the Government and the 43 police forces that have already set their precepts. In my constituency in north Wales, we are set to lose £1.1 million this year, putting a real strain on the services provided. I met with the chief constable last week and I know that not only is his force worried about the £1.1 million cut, but it is bracing itself for far worse to come.

My hon. Friend the Member for Harrow West (Mr Thomas), who is no longer in his place, mentioned the cut to the capital grant of £10 million. The cut of £10 million from the counter-terrorism budget is also of concern.

Mrs Mary Glindon (North Tyneside) (Lab): Does my right hon. Friend agree that North Tyneside was fortunate to have its new police headquarters completed under the Labour Government? It is due to open in September. Does he agree that the 27% crime reduction that the people of North Tyneside enjoyed last year will not be improved on if these cuts are implemented?

Mr Hanson: My hon. Friend makes an important point, because there is a link between the investment by the Labour Government and the fall in crime. Whatever assessment we make, that investment in police officers on the streets and in other areas, including capital build on new police stations, has had a direct impact in reducing levels of crime—*[Interruption.]* The Minister is chuntering from a sedentary position to the effect that police buildings do not contribute to crime reduction. A brand new police centre in Newcastle will help to put together some essential savings and help the police to organise effectively to fight crime—*[Interruption.]* We could go on all day, but my contention is that the resources that the Labour Government put in—and had agreed to put in this year—made a real difference.

Mark Tami: Does my right hon. Friend agree that, at a time when we face massive cuts and with more to come, it is bizarre that the Government intend to introduce these directly elected characters, who will end up costing a fortune but do nothing for front-line policing?

Mr Hanson: I concur with my hon. Friend. I have not met a single member of the police family who wants directly elected police commissioners. I look forward to having that argument with the Minister when the time comes.

The cuts to the police grant this year, coupled with the potential cuts of up to 25% to the police grant next year, will be really damaging to our crime-fighting capability. Coupled with the scrapping of the national policing pledge and the sustained attack on community policing that is coming, I do not believe that we will be able to sustain the fall in crime that we have seen to date. I hope that I am wrong about that, but I believe that these cuts will be damaging in the long term.

This year's grant was approved by the House of Commons and should be reaffirmed—

Nick Herbert: The right hon. Gentleman mentions the policing pledge, which this Government have rightly scrapped. How many police officers could have been funded by the £6 million advertising spend by his Government on promoting that pledge?

Mr Hanson: Unlike the Minister, I believe that it is important that people know their rights, know what services they can receive, know that the police are on their side, know who to contact in the police, know where their local police officers are situated and know who their local police officer is. I have always believed that the police are a public service. That spending was about ensuring that the public knew those things, so that the public and the police could work in co-operation to reduce crime.

This settlement is wrong and will be damaging—

Heather Wheeler (South Derbyshire) (Con) *rose—*

Mr Hanson: I was going to finish speaking, but I cannot resist the hon. Lady.

Heather Wheeler: I am fascinated by the right hon. Gentleman's latest statement. Surely to goodness we were meant to be seeing the police on the street and going to their police stations. Why on earth did we need £6 million of advertising when £5 million a year was taken from Derbyshire police? If we had had that £5 million, we would have seen the police.

Mr Hanson: I look forward to the hon. Lady voting to remove £1.6 million from her police force later. She argues that Derbyshire is underfunded by £5 million, but she is happy to vote through a £1.6 million in-year cut—*[Interruption.]* That is up to her, but I am sure that the Labour party in her constituency will make that fact known to the residents of the area.

This settlement is wrong and should be opposed. The original settlement was agreed in February, when it was supported by the Liberal Democrats. The House should agree it again today. I will vote against the motion and urge my right hon. and hon. Friends to join me in the Lobby.

1.45 pm

Tom Brake (Carshalton and Wallington) (LD): I shall start with the one point of agreement I have with the right hon. Member for Delyn (Mr Hanson), and that is the excellent work that the police do. He is right that we last debated this matter five months ago, and there is a sense of déjà vu about this. However, what has changed—I regret that he and his colleagues have not recognised it—is that we now know, for example, about the £12 billion structural deficit underestimate by the previous Government. He may also have noticed what has happened in other countries such as Greece in recent months, which has given an added urgency to what the coalition Government have had to do.

I can certainly confirm that five months ago I did not expect to be standing here today defending the proposals we have before us. However, as my right hon. Friend the Minister said, it is the previous Government's economic scorched-earth policy that leaves us with no alternative. My hon. Friends know that some challenging efficiency savings will have to be made, and we will need a degree of prioritisation that has perhaps not had to happen before. It is right to berate the Opposition for their failure to acknowledge even a modicum of responsibility for the current financial difficulties that we are trying to address. However, it would be wrong not to acknowledge the increase in police numbers in recent years. The safer neighbourhood teams were positive developments, and the trend has been towards a reduction in crime, although we can argue about the statistics and the measures used to calculate that.

Efficiency savings, especially as used as euphemism for withdrawing valuable services, are never popular, but we are in a stronger position to take those measures now with the downward trend in crime than we might have been if the trend had been upwards. I am sure that the Minister, when he was preparing for this debate, will have looked at the report of February's debate. Several points were raised then that I hope can now be clarified. One is what is happening to recruitment across forces—an issue that Paul Holmes, who is no longer the Member of Parliament for Chesterfield, raised. In the autumn, we have the comprehensive spending review and I am sure that the Minister will argue the case for the police service strongly. Can he provide any more information about how he will push the case for police funding in those discussions?

In February, the issue of special grant funded allocations was also raised and the concern expressed that while the core budget might be maintained—although we now know that unfortunately that is not the case—their removal might have a greater effect on the number of police officers and of PCSOs. Perhaps the Minister could comment on that point.

On flexibility of funding, I am signed up to the agenda of greater localism and giving local authorities greater powers to deliver services. However, I am a little perplexed about why we are pushing that agenda in relation to a freeze in council tax, which goes against the proposition that local authorities should be able to take more decisions. I appreciate that at this particular time when everyone is struggling financially, we need to promote that, but I wonder whether in the future—particularly when MORI polls, which were mentioned in the February debate, have confirmed that in certain circumstances people are willing to pay a little more through their precept if they can see that additional police services are delivered—we will have the flexibility to allow that to happen.

Another important matter raised in the February debate was linking police funding to the census, and how responsive it was to it. It has been announced that the census will not happen, so I hope that the Minister will provide some clarity about what funding will be linked to. That would give us a greater degree of confidence that, under the coalition Government, we will in future be able to reflect an increase in population more promptly in the funding that flows through not just to the police, but to other services as well.

Finally, it is clear that in times of adversity there is more ingenuity around. I suspect that Members on both sides of the House might have received suggestions from people about how efficiency savings could be identified. Force mergers have been discussed. A constituent contacted me to suggest that we need a London police force and that there might be scope for incorporating the City of London police into the rest of the Metropolitan Police Service. Another constituent made suggestions about the way in which detectives are rotated. There are ways and means of ensuring that efficiency savings are achieved without having an impact on front-line services.

Steve McCabe (Birmingham, Selly Oak) (Lab): Before the hon. Gentleman concludes, can he help me to understand how it is in these straitened times that the Conservative manifesto commitment to increasing the cost of the elected commissioner experiment persists, while the Lib Dem manifesto commitments have been dropped? How did that come about, or is it that the hon. Gentleman did not have any influence? Is he at all worried that Lib Dem broken promises are going to create a broken Britain?

Tom Brake: I will leave it to the hon. Gentleman to promote the idea through his literature that the Liberal Democrats have broken their promises. If he looked at the coalition programme, he would find that, in practice—there is no secret about this—some proposals that we wanted to promote as a party before the general election are not included in it, while some proposals that the Conservative party wanted to promote when it was in opposition are equally not in it.

Steve McCabe *indicated dissent.*

Tom Brake: The hon. Gentleman is obviously struggling to come to terms with the concept of a coalition and what it means in practice. I am afraid he will just have to get used to the fact that these things happen.

Roberta Blackman-Woods (City of Durham) (Lab): On that precise point, does the hon. Gentleman accept that the Deputy Prime Minister came to my constituency to launch the Liberal Democrat plan for more police officers by getting rid of ID cards, and that although we now have no ID cards, we not only have no additional police officers in Durham, but face substantial cuts to them?

Tom Brake: All I can do is go over the same response that I gave earlier. First, I am very pleased that we have started the process of getting rid of ID cards so quickly. Secondly, I am sure that my right hon. Friend the Deputy Prime Minister would have said something different if the hon. Lady's Front-Bench team had provided greater clarity on where we stood as a nation in terms of our finances. I am afraid that the only example of clarity we have had is the single-sentence letter on there being "no money". That was a good example of a very honest Minister making it clear where the new Government stood and what problems they would have to tackle.

To return to detective rotation, about which a constituent contacted me, it may be a good example of how more money could be saved in the service. As I understand it, detectives are often rotated a matter of months before retirement. They then have to undergo a new raft of training for a new role before—literally, just a few months later—retiring. That does not seem a very sensible investment. Perhaps it could be looked at to ensure that detectives are allowed to continue in their present posts so that the police service does not incur those training costs for a role that they will not carry out beyond a couple of months after starting it.

No reduction in funding is ever going to be welcomed. I believe, however, that the scale of efficiency savings being proposed is manageable and that it is possible for our police forces to deliver both value for money and security on our streets at the same time.

1.56 pm

Caroline Flint (Don Valley) (Lab): I want to clarify something about the deficit from the outset. Labour Members clearly recognise that something had to be done about the deficit, which is why we set out plans to halve it over four years and looked at other areas to see where we could increase growth. What we have here is a Government—a Liberal Democrat-Conservative Government—deciding to cut the deficit harder and faster. That is a choice that the Government have made. In doing so, they are choosing dramatically to take out of the public finances investment that could contribute in some ways to our growth. By taking that money away—whether from local authorities, the police or other agencies—as they have chosen to do, they put us at a greater risk, as many people are now saying, of a double-dip recession. They are also relying on a 40% increase in exports to make up the difference as a contribution to growth. That is the dividing line here. Perhaps the reason why the Liberal Democrat-Tory coalition wants to cut so hard and so fast is that down the road in five years' time there will be a general election and they want to be able to offer tax cuts to gain re-election. That is really what is going on here.

Dan Rogerson (North Cornwall) (LD): I am interested in the right hon. Lady's case. What she is effectively saying is that a future Labour Government would have introduced cuts, but not quite yet. Then she criticises the way in which this Government have chosen to tackle the debt. What she is saying is not that her Government would never make cuts, but that they would not make them yet. As we got closer to a general election, her Government would have done the same thing. What she says is absolute nonsense.

Caroline Flint: I direct the hon. Gentleman to the £2.6 million of cuts that his area is going to face. There are choices to be made. We said that we would cut the deficit by half over four years, but your Government are suggesting that we go faster and harder, posing the risk of going back into recession, putting more people out of work and affecting employment in both the public and private sectors. We will watch very carefully to see whether the outcomes that you have chosen to pursue are really in the best interests of the country.

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. The right hon. Lady is a very experienced Member, who should not use "you". I am sure that she did not mean it.

Caroline Flint: I apologise, Mr Deputy Speaker. The hon. Gentleman will have to look at the outcomes of the decisions that his Government have made over the course of the last few weeks.

There is concern across the country about the announcement of cuts in police funding. I have listened to some of the comments made by Government Members. The hon. Member for Devizes (Claire Perry) has left the Chamber. I believe that she asked why we were spending money on police buildings. One reason why we did that over the past 13 years is that some of the buildings were not fit for purpose. If we are to modernise our police force and have civilian staff carrying out jobs such as following up on crime reports by using the best technology we need buildings that are fit for purpose. It is about investing in a police force for the 21st century.

[Caroline Flint]

We should also look at the partnerships created over the past 13 years. It should be recognised that the police cannot do the job of ensuring the safety of our communities, neighbourhoods and streets on their own. They have to work with others in local government, and I worry about how the cuts in the police grant will affect partnerships that have been nurtured with local authorities and community organisations. As those partners will be affected by cuts as well, the pot that is available to them, enabling them to tackle crime and antisocial behaviour in a flexible, dynamic, innovative way, will be further diminished by the lack of flexibility that is being imposed on police forces and local authorities throughout the country.

My constituents will be keen to know how the £3 million cut in funds for South Yorkshire police will affect them, particularly given the Government's refusal to provide the guarantee to protect overall police numbers which we included in our manifesto.

Mr David Burrowes (Enfield, Southgate) (Con): The right hon. Lady must appreciate—once she gets past the rhetoric—that there are difficult choices to be made about financial restraints. She mentioned her constituents. Would they be concerned about the choice to spend £6 million on advertising the policing pledge rather than on front-line services designed for their safety? If they were able to make that choice themselves, what would they decide?

Caroline Flint: I am interested in the coalition Government's attitude to the way in which information is given to the public in order to ensure that there is transparency about the provision of public services. They seem to think that that is not an important part of the compact between the people and those who enforce the law. Regardless of the debating points that are made between the Front Benches, it is clear from the findings of all the surveys in various force areas about public attitudes to the police and crime statistics that crime has fallen. However, as a constituency Member I often find that the public do not know about those figures—or, indeed, about the monthly meetings held by the police, the activities of the safer neighbourhood teams, and who is working with whom. When I give them that information in my surgeries, when I am out on the doorstep or in my newsletters, they are very pleased to receive it. I am not saying that a blank cheque should be handed to those who deal with communications. The issuing of information must be thought through properly. It must be established why the information concerned is important, and sometimes we have to pay for that information to be issued.

I will say this to the hon. Gentleman. We currently have some 43 police forces. All of them have communications departments and press officers, and I believe that that is one of the functions that could be managed better across police force areas. The most important element of local policing for the residents of Don Valley is at borough command level, and the most important public face for people in Doncaster is our borough commander. Most of those people do not know the name of the chief constable; they are interested in what is happening in the Doncaster borough. Discussion about what is the most appropriate organisation and structure at force level, and about the elements beyond local crime that require particular attention, should be part of a debate about efficiency savings, value for money and outcomes that genuinely deal with organised crime better than we are able to at the moment.

Mr Stewart Jackson: The right hon. Lady is making a passionate case, but I fear that she is demonstrating one of the worst aspects of the record of new Labour governance, namely an obsession with processes and the policing pledge. Is not the real issue, and the real driver for elected officials, the fact that there is currently a huge gap in accountability? At present accountability operates only between senior police officers and the Home Office, and elected officials and residents are squeezed out. That is why local people across the country support elected officials, and why our manifesto commitment has been such a success. The police family, as it is called, is hostile because vested interests are being challenged by ordinary people and elected officials.

Caroline Flint: One of the most dramatic changes in the nature of police accountability has been brought about by neighbourhood policing teams. In various parts of my constituency, local people can attend monthly meetings to engage in discussion and hold the police to account. Information from those meetings—along with other information about where antisocial behaviour is happening, which is collected and captured on computers—is tasking the police in a far more intelligent and accountable way than we have ever seen before. However, that did not just happen; it had to be driven by Government, and it was driven by a Labour Government.

Roberta Blackman-Woods: My right hon. Friend is making a brilliant speech, but does she agree that what is most important to our constituents is being able to see police officers on the beat, as well as police community support officers? Is it not absolutely disgraceful that the coalition parties have not guaranteed to protect front-line policing from cuts?

Caroline Flint: I entirely agree with my hon. Friend. Fine words about law and order and sanctimonious speeches about how we support the police family and the reduction of crime in our neighbourhoods are all very well, but if we do not will the means, that is not going to happen. Up and down the country, as budgets are stretched and pressures are put on the police, the good work that has been done will take two steps back rather than forward, and that is a crying shame.

I have a long-standing interest in the handling of serious and organised crime, and the impact on that of reductions in police grant. We should view the cuts in police funding in the context of a number of other developments that undermine the ability of our police to do their job. For instance, police powers relating to CCTV and DNA have been reduced, as has been pointed out by the hon. Member for Shipley (Philip Davies); perhaps I should call him my hon. Friend these days. Last week there was an Adjournment debate on CCTV and DNA, and I must say that I welcomed the support from the coalition Government Benches for the views expressed by Opposition Members on that day. Clearly there is some common ground in this era of new politics.

We need a 21st-century police force that is equipped to tackle 21st-century crime and 21st-century criminals. There is no doubt that technology provides a major opportunity for the police to crack down on criminals, wherever they may be. Like many other Members, I am disturbed by some of the comments that have been made about CCTV and DNA. Obviously CCTV helps to the police to deal with antisocial behaviour, but we should not forget that both it and DNA make a major contribution to tackling far more serious and violent crimes which, I regret to say, are committed on streets throughout the country.

I do not think that the present proposals accord with the front cover, as it were, of the Liberal Democrat-Tory coalition Government. They do not suggest that the Government really have the safety of our subjects in mind when they take responsibility for governing our policing community.

I intervened on the Minister of State to ask whether any assessment had been made of the cost of elected police commissioners. I do not suggest that every aspect of the way in which police authorities are organised is the best thing since sliced bread. I think that some do better than others. Colleagues of mine have worked very well on police authorities and have done a good job, but that does not necessarily mean that some authorities do not need to be looked at. But what will the introduction of elected police commissioners mean for policing in our neighbourhoods? How much extra cost will it involve? Will someone who has been elected expect a higher premium on the services that he or she gives to the police? What will be the relationship between the commissioner and the chief constable?

This brings me back to the subject of serious and organised crime. I fear that elected commissioners could find themselves responding, understandably in some respects, to the demand for attention to be paid to local policing—which is, of course, important—to the detriment of the handling of much more serious crimes which require more cross-border co-operation. I worry greatly about the impact on that. I agree that we need to discuss savings, but why has there been no financial assessment of the cost of elected police commissioners and whether, in these times of austerity, that is a good route to go down? I would suggest that it is not. Taken together, therefore, I fear that these proposals could inhibit our ability to fight serious and organised crime, and also make it more difficult to protect the country from international terrorism.

None of us doubts the need for effective local policing. We need bobbies on the beat, and we need civilians to take on some of the jobs that then allow our fully qualified police officers to be out there fighting crime. We need to work with others, such as community support officers and community safety wardens, too. We also must not forget community organisations and groups; those that have good relationships with their local police are a vital source of information and intelligence, and also help to promote what is being done in the community to fight crime, as opposed to the lurid stuff that is often reported in the tabloid press.

We know that every single day people feel angry and frustrated—and often isolated—by the antisocial behaviour and low-level crime on their doorstep, and that must be attended to. However, although effective community policing is rightly a priority for the police, it cannot be their only priority. As I have said, for people in Doncaster it is our borough commander at Doncaster level who, day to day, is the public face of local policing. Above that, I do not think the public necessarily care very much whether it is a south Yorkshire or a Yorkshire and Humber force; what they care about is that other levels of crime that they do not see on their doorsteps should be dealt with effectively. As the Metropolitan Police Commissioner outlined in the annual lecture to the Police Foundation on Monday night, we still face a real and severe threat from terrorists and from serious and organised crime, which costs the British economy £40 billion a year and, in its own way, affects every person in the UK. The drug dealer at the end of somebody's street, who usually is a drug addict as well, is just a small fish in a big pond. The sharks that feed that crime on the local street are living in big houses; they are not paying their taxes and they are living the life of Riley. They are the criminal entrepreneurs who put the despair on to our streets, and if we do not deal with the sharks we will not get a grip on organised crime in our country. I am very worried about the implications in respect of the police grant and the fact that the Minister said nothing—I will look at *Hansard* to check this—about the impact on serious and organised crime. I would be happy for the Minister to respond to that or to indicate anything, if he wishes to do so.

When the public are asked for their view they do not always rank serious and organised crime or even counter-terrorism as their top priority for the police. That is because people do not see that directly or immediately affecting their family and their street and community. However, many of the problems they do worry about—drugs, prostitution, illegal weapons—are intimately connected to serious and organised criminals. The real danger is that with cuts to be made and, I am afraid, with these potential commissioners falling over each over to protect the most popular police priorities, the axe will fall precisely on those areas that the public least understand but most need.

Nick Herbert: Is the right hon. Lady warning about the dangers of these directly elected individuals delivering what the public actually want in respect of local policing?

Caroline Flint: No, I am talking about the cost of these elected individuals over and above what we have at the moment, and priorities being skewed in ways that do not help.

We need to make a better case of explaining how serious organised crime impacts on our neighbourhoods and communities so that people can see the relationship between the drug dealer in their street, the prostitutes in their neighbourhood and the counterfeit goods at the car boot sales and how that leads all the way back up to the organised criminals. I think we should have made a better case of explaining that under my Government, and I certainly think we need to do that in future, so that the link between these policing priorities can be seen. The danger is that that will not be done because these elected individuals will not be interested in that; they will just be interested in getting easy votes, whereas sometimes we as politicians have to explain the big picture so that we get the policy right.

That is a credible and sincere thing to say. I fight every day to make sure that the communities I represent are protected from antisocial behaviour and the other

[Caroline Flint]

problems they face, but I know, both as a former Home Office Minister and as a constituency MP, that many of the problems in our neighbourhoods develop as the young people and adults involved in antisocial behaviour become more hardened criminals, and that hardened criminals at the top end are often behind the low-level crime my constituents experience. We have to deal with both aspects. The Minister said nothing about that or about looking at better operational capacity—and in doing so saving some money along the way.

Robert Halfon: Why is it perfectly okay for people to elect councillors, MPs and all sorts of other representatives, yet the right hon. Lady does not trust people with the responsibility of electing someone who will provide an overview of the kind of policing they want for their neighbourhood?

Caroline Flint: We already have elected councillors as part of the police authorities, and I think that model could be improved. At the local level through the safer neighbourhood teams, we already have monthly accountable meetings which the public can attend and talk about their local policing priorities. This is not about being against accountability; it is about what is right and what is fit for purpose—and, to be honest, what is good value for money, which is part of the debate we are having this afternoon.

Mr Stewart Jackson *rose—*

Caroline Flint: I want to make some progress, as I have taken lots of interventions and I am very conscious that other Members want to contribute to the debate.

The reality is that as a result of improved communications, new technologies and international mobility, serious and organised crime is becoming more sophisticated and increasingly global in reach, making the police's job more difficult. As I have said, we are dealing with 21st-century criminal entrepreneurs. They are involved in all sorts of rackets from counterfeit goods to human trafficking, prostitution and, of course, drugs, and what we need is a 21st-century police response.

The reality, however, is that many smaller forces—there are 19 in England and Wales with fewer than 2,000 officers—already struggle to meet the challenges of modern crime, and across the board, as Sir Paul Stephenson made clear in his speech on Monday evening, police resources for tackling serious and organised crime are "unco-ordinated" and "inadequate". I am afraid to say that that is partly due to the police structures we have and a parochialism that does not address some of these serious crime issues. Many Members—probably on both sides of the House—will defend their force structure, even though it might not help or deliver the capacity to deal with some of the crimes I am talking about. That is why I believe there is a very strong case for borough level local policing, but I am certainly not convinced that at the force level some of the sizes of organisation we have are either manageable, good value for money or even delivering what we need.

The police believe that there are 68 criminal organisations with assets in excess of £10 million. These are organisations whose operations are complex and do not respect national borders, let alone police force borders. While inter-force collaboration is certainly improving—there are many good examples of it up and down the country—as the Bichard report clearly highlighted, the way our police service is structured means that all too often individual forces act separately and fail to share information with other forces. In an age in which criminals can escape quickly across police force boundaries, it is not sustainable for police forces to have to notify other forces in advance, or have protocols in place, before they can track and apprehend criminals. It slows everything down; it is not a good use of resources.

In the case of the London and Glasgow bombers in June 2007, when terrorists placed two car bombs outside a nightclub in London's west end before driving to Scotland to ram their jeep into the entrance at Glasgow airport, detectives from London following the getaway car were concerned that if they had to make arrests en route they would have to ensure that local forces were notified and put on stand-by. Later there was also confusion about which force should lead on the case—whether it should be the Metropolitan police which had started the investigation, or the Strathclyde police in Glasgow where the case finished up.

It is also difficult for smaller police forces to invest in the assets that are needed to run complex, and often international, investigations effectively. There is a case for investigations into serious and organised crime being led by larger, more centralised crime-fighting units, and merging some functions or responsibilities, or even forces, could offer economies of scale and reduce bureaucracy and costs and lead to better outputs. Alternatively, as Sir Paul Stephenson suggested, we could have a nationally co-ordinated, federated structure for tackling organised crime, whether led by the police service or as part of an extended Serious Organised Crime Agency remit.

Keith Vaz: I wonder whether my right hon. Friend has had an opportunity to look at the Select Committee's detailed report on the Serious Organised Crime Agency that was concluded earlier this year, in which we raised the issue of targets as opposed to cost. If the Government are right, we are spending £500 million on SOCA, but it sees only £23 million. Does she not think that these targets need to be improved if we are to get value for money?

Caroline Flint: I completely agree with my right hon. Friend, and the Select Committee did very good work on SOCA. I am very proud to be the former Home Office Minister who established SOCA. We brought together the National Crime Squad, the National Criminal Intelligence Service and the drugs investigation arm of Customs and Excise. However, things have gone wrong on asset recovery, on which we needed to make more progress. Also, when we developed SOCA and since, we failed properly to consider its relationship to forces around the country. It is not just a question of having a national body, but of what is happening on the ground. The link between local policing and national police services such as SOCA is absolutely crucial, and I agree with my right hon. Friend that much more needs to be done to get that right.

The point is still well made that we can look for savings as well as better outcomes, but given that we are discussing the police grant, we must task the Minister with explaining how we are to protect the existing

situation. Yes, there needs to be improvement, but we do not want to go backwards in our efforts to tackle organised crime through these reductions in the police grant.

Examining this issue has the potential not only to make the police more effective, but to help to deliver the savings that need to be found without necessarily reducing the number of police on our streets, and to become more effective in tackling serious and organised crime. The cost of such crime to the country is £40 billion, and there are 38,000 organised criminals and 6,000 criminal organisations. There will be no new resources for dealing with organised crime and even if there were, they would never be enough to tackle terrorism, for example.

This is a serious issue that needs to be looked at as these cuts are made, in order to ensure that we do not lose our capacity, which is already varied throughout the country, to tackle the most serious crimes that our neighbourhoods face.

2.22 pm

Mr Stewart Jackson (Peterborough) (Con): I am speaking for what I think is the third or fourth time in a police grant debate. As the legendary American baseball star "Yogi" Berra said, it is déjà vu all over again.

Mark Tami: Brilliant!

Mr Jackson: Thank you. Except that on this occasion, of course, I am on the opposite side of the Chamber. I remember the debate on 3 February with the right hon. Member for Delyn (Mr Hanson), who delivered his lines in a typically amenable way.

It is appropriate at this point to welcome my right hon. Friend the Member for Arundel and South Downs (Nick Herbert) to his position. He is a seasoned reformer, and if anyone can get to grips with delivering more for less, it is he. I also wish his predecessor as the shadow Minister, my hon. Friend the Member for Bury St Edmunds (Mr Ruffley), all the best of luck in returning to good health; I am sure I speak for the rest of the House in that respect.

The key word in this debate is "legacy": the legacy of the fiscal disaster we inherited from the previous Labour Government on 6 May. The shadow Minister made a good fist of synthetic outrage and faux anger at this "swingeing cut" by the coalition Government—the precursor to a plague of locusts and all things doom-laden in the state. However, it is actually a funding cut in-year of 1.46%.

The main point made by the right hon. Member for Don Valley (Caroline Flint), was that there is nothing mutually exclusive about driving forward shared services and back-office functions across different police forces on an administrative basis, while at the same time dealing with serious organised crime through such collaborations. The problem with the previous Labour Government was that their approach was all about compulsion and a lack of proper accountability and consultation. Fundamentally, Labour did not trust people to make the right decisions, which is why it still does not trust them now and is so hostile to police commissioners.

As I pointed out in an intervention on the right hon. Lady, there is no point in focusing moral outrage on a process-driven issue such as the policing pledge, which people in the Dog and Duck in Peterborough are not talking about at length. What people actually care about is real accountability and whether they have some say in local policing priorities. At the moment, they do not. At the moment, the accountability link is simply between the basic command unit and the chief constable, and upwards to the Home Office. Whether the right hon. Lady likes it or not, what actually drives local policing is what local police forces have been told to do by the Home Office.

I should have prefaced my comments by pointing out that I am biased, in that I made my maiden speech, in June 2005, on the issue of elected police commissioners, the headline in the *Peterborough Evening Telegraph* being, "We need city sheriff says city MP". However, it was not as simple as that. It is a question of accountability, but also of understanding that the police authorities model is probably not fit for purpose and does not command the support and respect of the many people who pay taxes and are also afflicted by crime. These are not just people in middle-class neighbourhoods and gated communities who can afford to push crime away; they include people such as those in my constituency who are perhaps not on good incomes and do not live in the most salubrious of neighbourhoods. Such people are afflicted by drug dealing, antisocial behaviour, burglary and other serious crimes. There is absolutely nothing wrong in giving those people a real say by allowing them to influence not day-to-day operational issues, but the strategic overview of the priorities taken by the local police service—in my case, Cambridgeshire constabulary.

That was the problem of 2006, and the shadow Minister will know that it contributed, among other things, to the early departure of his erstwhile colleague the former Member for Norwich South, Charles Clarke, whose successor is in the Chamber today. The problem was one of not listening and forcing things on people, in the typical top-down regional model imposed by the Labour Government, which we have seen in fire control, and in the ill-fated campaign and referendum on the question of a regional assembly in the north-east.

There are a number of key strategic issues that this Government are tackling head on. They are focusing, for example, on the efficiency and efficacy of what is actually done on the ground. Only 14% of police time is spent on the beat; 22% is spent on paperwork. One of the issues we need to look at—hopefully, it will be examined during the Government's review in the next few months—is the inspection regime that police services are subject to. Not only the police service but local authorities and others are subject to too much onerous, unnecessary and unnecessarily frequent inspection. Constabulary and police authority officers spend inordinate amounts of time preparing for, going through and reviewing inspection, when in fact they should be concentrating their efforts on tackling crime and putting criminals behind bars.

I must take issue with my hon. Friend the Member for Shipley (Philip Davies) and agree with my right hon. Friend the Member for Arundel and South Downs, in that this is not a question of getting a key, opening the jail and letting everyone out. However, we do have a massive problem with recidivism and we must deal with it in an innovative way. I should declare an interest, in that Kalyx, which runs the 840-bed category B private prison in Peterborough, has been awarded a contract. It

[Mr Stewart Jackson]

is a very interesting social experiment, and I believe that it will deliver the goods. Kalyx will receive 40% of the indicative cost of incarcerating a prisoner for one full year if it keeps that prisoner from recidivism and reoffending.

I am no tree-hugging lily-livered liberal on this issue—*[Interruption.]* Well, I guess I am compared with my hon. Friend the Member for Shipley, whose many contributions on penal policy I fondly remember, not least his comments on prisoners having access to ping-pong tables and Sky television, for instance. I believe it was Albert Einstein who said, "If you keep doing something over and over again and it doesn't work, try something else." He probably put it much more eloquently. Our approach has not worked; it costs a fortune to incarcerate people.

When I had lunch with the senior judges at Peterborough Crown court some months ago, they made the point, as my right hon. and learned Friend the Member for Rushcliffe (Mr Clarke) has, that there is no point incarcerating people for very short sentences—for instance, serial burglars—if we cannot teach them to read, write or add up, if we cannot give them meaningful work to earn money and if we cannot give them a position where they feel socially useful. Punishment is important, but rehabilitation is too. If we can give them a way forward to be decent members of civil society—Kalyx will do that with the scheme at Peterborough prison—that is good for society, because it will, in the end, save money for my constituents, and those of all hon. Members, in the form of taxpayer funding.

Caroline Flint: I agree with some of the points that the hon. Gentleman is making—illiteracy among prisoners is a big problem—but what I do not understand, and what I ask him to clarify, given that we have tried everything else with many of these burglars, is why they cannot learn to read and write during six months in prison.

Mr Deputy Speaker: May I just remind the hon. Member for Peterborough (Mr Jackson) that we are dealing with the police grant? We have strayed into discussing prisons, and although I know there is a connection, we are stretching it.

Mr Jackson: I know that we could wander the byways and highways of penal policy for ever, Mr Deputy Speaker, so I graciously accept your admonition on that particular point and I shall return to the police grant, before you rule me out of order.

We have to be realistic about what we are being asked to accept today.

Mr Hanson: May I refer the hon. Gentleman to the last words of his speech in the grant settlement debate on 3 February? They were:

"I hope that we get a better settlement when we have a Conservative Government in the next few weeks."—[*Official Report*, 3 February 2010; Vol. 505, c. 360.]

How does he square that with the cut that he is going to vote through today?

Mr Jackson: Having run up the largest deficit in peacetime history, and having got us into a position where we are spending more on the interest to service the Labour party's debt legacy than we are on school buildings, policing and many other areas, it is a little cheeky of the right hon. Gentleman to pray in aid my own, no doubt eloquent, soaring oratory of 3 February. Funnily enough, I was doing what most Members of Parliament are elected to do, which is speak for their constituents.

The right hon. Gentleman tees me up nicely to return to discussing the situation in Cambridgeshire, which, again, relates to the legacy. The reason why I have spoken about the police grant on a number of occasions is that my local police authority was systematically underfunded during the whole period of the Labour Government. Our area has particular issues to address, although I must pay tribute to the outgoing chief constable, Julie Spence, who has done a superb job, at some cost to her reputation with the previous Government. They probably did not like the fact that she was socking them between the eyes and telling the truth about the actual pressures that she has been under in delivering a first-class police service. I pay particular tribute to the fact that she was willing to tell it how it is, although that may have made her slightly unpopular with Ministers, and I also pay tribute to chief superintendent Andy Hebb of the northern basic command unit.

Labour's legacy of deliberate underfunding means that Cambridgeshire has 408 fewer officers than the national force average, and Cambridgeshire's force has 185 fewer officers than similar forces. I make no apologies for saying this, because this Government have been in power for only eight weeks. If anyone has to take responsibility for underfunding the police service in Cambridgeshire it is the Labour party, which so egregiously underfunded my Cambridgeshire constabulary and my constituents' police service. However, because we have excellent police officers in Cambridgeshire, work is already in train to make the necessary savings to accommodate the £1.2 million in-year budget cut, to which the right hon. Gentleman helpfully referred, while minimising the impact on front-line services.

My area has particular issues to address, which Ministers have known about because I have often articulated them to this House. Between 16,000 and 20,000 EU migrants have come to Peterborough since 2004, but under the previous Government precious little attempt was made by the Home Office to do anything about that, or to recognise the particular policing and crime issues that it brought. For instance, we have had to deal with people who are driving drunk, people who think it culturally acceptable to carry knives, and people who do not have insurance for their vehicles.

People trafficking has also been an issue in my constituency, and I shall give the shadow Minister one example of that. In 2004 Cambridgeshire constabulary noted that there were three sex establishment brothels in Peterborough, whereas by 2007 there were 47. This was one of the big growth areas in the economy under the Labour Government, before they plunged the economy into the disastrous mess that we inherited.

I was a voice crying in the wilderness, despite all the issues that I raised. Such issues included the fact that 10 of the wards most vulnerable to a breakdown in community cohesion are in Peterborough, according to

the vulnerable localities index, which was developed by the Jill Dando Institute of Crime Science, and which assists police forces such as Cambridgeshire's in identifying the communities most at risk of breakdown, tension and fragmentation. Some 27% of Peterborough's primary pupils have English as a second language, with more than 80 languages being spoken. That is a clear reflection of significant demographic changes, which feed through into the challenges on crime and policing: for instance, Cambridgeshire constabulary's translation and interpretation bill is more than £1 million a year. However, we received no specific help from the previous Government to assist us in dealing with those problems. More than half of Cambridgeshire's prolific and priority offenders in the catch and convict scheme in August 2009 were in Peterborough. The northern basic command unit has dealt with more grade A incidents in this financial year to date and has also arrested more suspects in June than the other Cambridgeshire command units. This is because Peterborough is the largest urban conurbation in the county. Those are the challenges. It would be remiss of me not to admit that I see the police grant report and the debate through the prism of being a constituency Member of Parliament. Had the right hon. Member for Delyn been on the other side of the Chamber I would be saying exactly the same thing, so I make no apologies.

New thinking is coming along the tracks. It is acceptable, and it is to be wished for, that the new Government should focus on what is being done in local government and with the Total Place concept. They should carefully examine shared functions, shared purchasing and procurement, training, human resources, payroll and other such issues, and bringing in civilians to do the jobs that front-line uniformed officers hitherto would have done, so that those officers can be put on to the front line. There are plenty of good ideas about.

We all regret the fact that the budget has to be reduced, and we know the reasons for that. My hon. Friends will doubtless rehearse those arguments in respect of their local police authorities before the end of this debate. I do not like to say it, but I will be accepting the argument of the Government that this has to be done and that we have no choice. But it is my belief that when we have got the fiscal deficit under control, and when we are in a position really to tackle these issues after four years of innovative thinking in terms of working together across police authorities and having new police commissioners who focus principally on local people's priorities, we will be in a position to deliver a better police service at lower cost for our constituents. That is what they elected us to do.

2.40 pm

Keith Vaz (Leicester East) (Lab): It is always a pleasure to follow the thoughtful speeches of the hon. Member for Peterborough (Mr Jackson). We all thought that his ambition in life was to be the Member of Parliament for his city, but now we know that he really wants to be the sheriff of Peterborough. Whether he goes and hugs those trees is another matter, but the constituency angle that he has taken should be considered by the House when dealing with the police grant.

I welcome the Minister to the Dispatch Box for his first of what I hope will be many debates on the police grant. I hope that he will pass on our very best wishes to the hon. Member for Bury St Edmunds (Mr Ruffley), who as shadow Police Minister was a frequent attendee at these events and whose comments from the Dispatch Box were very incisive.

These are difficult times and of course we understand that a new Government are always keen to blame the previous Government for the decisions that they will make. I, too, was present at the debate earlier this year when the police grant was, in effect, agreed by both sides of the House. I do not know what those on my Front Bench have decided to do, but I assume that they will vote against the reduction in the police grant. I am not sure—I am sure that somebody will remind me—but I think that in February the House was unanimous in approving the grant, and rightly so. This is one of the priorities of the people of this country.

I am glad to hear that in the Labour party manifesto the Home Office budget was ring-fenced. I cannot absolutely remember the section, although I imagine that my right hon. Friend the shadow Police Minister wrote it, so he would know. I am sorry that the Government did not do the same thing as part of the coalition agreement. I understand that we have to preserve the budgets of the national health service and education, but as far as law and order is concerned we—or the coalition Government—will regret the fact that they did not work harder to keep the Home Office budget intact. Why? This is a key priority, as the hon. Member for Peterborough has said, for every single Member of this House through the prism of their local constituency.

We know that the demand from local people is for more doctors and nurses, better schools and more police officers. Every single local campaign—not just campaigns launched by the Liberal Democrat party, as some would say—local petition and local survey shows that local people say that they want more police officers. The visibility of a police officer on the beat is the absolute sign that the public are being protected. Anything that cuts into that budget and prevents the reality of the local police officer on the beat will cause each and every Member of this House some pain.

Clearly, Opposition Members will feel some pain because Ministers and Government Members will always say, "Well, this is because of the shadow Chief Secretary's letter, so we have to do all this." Looking around the Chamber, I think that I might have been here longer than anyone else who is present—although not longer than every Member put together—and one thing that I remember and that Members should remember as elected representatives is that, ultimately, memories are quite short. Over a certain period, one can use the mantra, "They left us with no money"—eight weeks is not long enough not to use it—but by the end of the year local people will be very frustrated when they pick up their phones and the police officers they want are not there.

That was why I was so pleased to hear the commitment made from the Dispatch Box this afternoon by the Police Minister: he anticipates that, notwithstanding the reduction in the police grant, the number of police officers in front-line services will remain intact. Of course, the actual analysis is out of his hands. At the end of the day, it will be for local chief constables and police authorities to say whether that is what happens, but I know that that is his ambition and it is a very good ambition for a Police Minister to have. It is a very good ambition for a Conservative—even though it is a coalition

[Keith Vaz]

Government—Police Minister to stand up at the Dispatch Box in the House of Commons and to say in his first speech, "We do not want to reduce the number of police officers. We want to keep it the same and perhaps, if we get those structural changes, to increase it." As he knows, one of the great achievements of the previous Government was a record number of police officers—147,000 police officers, 16,000 police community support officers and 79,000 new civilians working in the police force. These are figures to die for, in my view. Every Police Minister would love to get to the Dispatch Box and say that those figures will remain intact.

We must work with the Government to try to ensure that that happens. I know that it sounds odd, but I have always seen policing issues as above party politics. There is agreement that local people want to see crime reduced, they want to see their police officers out on the beat and they want to be able to see quick responses to their problems, so let us see whether there is a way in which we can help the Government to do that. Tomorrow, the Home Secretary is coming to give evidence to the Select Committee—it will be her first appearance. I am very pleased that the Police Minister is coming in two weeks' time, and I thank him for the speed with which he responded to my request. That is the appropriate mechanism to analyse the Government's claims and the concerns of local police committees and chief constables. We want to get to a position where we use the pot of money properly and adequately, so that there is not the reduction in numbers that I think will happen but the Minister hopes will not.

Those changes that we have heard about today have been present in every debate that we have had on policing, certainly during the three years for which I have been the Chair of the Select Committee. The first is structural change, by consent and not for structural change's sake. The second is collaboration. As we have seen throughout the country, forces are working together, whether that involves borrowing a helicopter, as they did in Cumbria during the Whitehaven tragedy, or the way in which the police force in Northumberland reacted so quickly to the problems of the past two weeks. Such collaboration is ongoing. The third is better procurement, so that we have one set of contracts rather than 43.

The fourth change is ensuring that we do not just have initiatives. I accept what the Minister says when he asks what the point is of a brand-new police station—people do not really want their police officers in a police station; they want them outside. But sometimes we need brand-new police stations. We cannot expect all our police officers to operate from a Doctor Who-type TARDIS. There have to be police stations to hold people in detention, so that officers can deal with those requirements that legislators place on our local police forces.

The fifth change is a reduction in bureaucracy. Of course, we all agree that that should happen. Let us implement the Berry report and the Flanagan report in full. The hon. Member for Carshalton and Wallington (Tom Brake) was a member of the Select Committee in the last Parliament and he co-authored the report "Policing in the 21st century", which talked about all those things but also about investment in technology. In the long term, we can cut bureaucracy by giving police officers hand-held computers. The Minister will not win his battle with the Treasury for more money, because he is trying to cope with less money. However, that is what we have to do in the future.

We have an investment in this matter on both sides of the House as constituency MPs as well as a duty to the public to ensure that we work together to try to cut away waste. I do not think that there is a huge amount of waste in the police force. I know that we have heard about potted plants and iPods in certain Government Departments, but there is always a story like that. I assure the Minister that in a couple of years' time, the Opposition will be coming out with such stories. The fact is that we need to ensure that when we give money it is monitored much more closely. Perhaps there ought to be more strings. The last Government were probably too generous in providing so much funding and not very firm in monitoring it.

Michael Ellis (Northampton North) (Con): Does the right hon. Gentleman agree that it is a question not just of pot plants and mood music, but of the fact that police forces in England and Wales have to deal with some 6,500 pages of nationally given guidelines from the Home Office and the Association of Chief Police Officers? Her Majesty's chief inspector of constabulary said only a few days ago that putting those documents end to end would reach as high as the Eiffel tower. That is waste and bureaucracy, is it not?

Keith Vaz: Yes, it is. I do not say that everything the last Government did was absolutely perfect. I have related one example to the House on many occasions. I once went up to Staffordshire and looked at the work of Staffordshire police to reduce from 24 sheets to one sheet the documentation that is required when someone is charged. After that, every time the Home Secretary got up, I asked, "Have you rolled out this brilliant idea across the country?" but the answer was no, because the system worked so slowly. We will expect better from this Police Minister, because he is so keen to deal with waste. We want to make sure that good practice is adopted as quickly as possible and is rolled out. We do not want excuses such as that it takes a long time to write a letter to chief constables.

The points raised by my right hon. Friend the Member for Don Valley (Caroline Flint) are correct. I did not know that she actually invented the Serious Organised Crime Agency; had I done so, we would have called her to give evidence. There are examples of our providing huge amounts of money, such as half a billion pounds for SOCA, which seized only £23 million, and £400,000 for the National Policing Improvement Agency, and spending £79 million on consultants. Those are the kinds of issues that we should have dealt with in the past 13 years, but sometimes Ministers cannot, as the new Minister will find, know exactly what is going on.

Caroline Flint: They do not stay long enough.

Keith Vaz: My right hon. Friend is absolutely right. In her case, she was promoted to become the Minister for Europe and the rest is history. We need Ministers to stay in place long enough to see what happens when their decisions are implemented.

The Select Committee will be constructive and will not just condemn. We are going to put good practice on our website, without waiting for it to go on the Home Office website, with lots of arrows pointing to good practices and asking, "Why isn't this followed in Cambridgeshire, Essex, Leicestershire or elsewhere?" We will hold the Government to account on that.

The Minister has repeated the words that were used at the Association of Chief Police Officers conference of 1 July, saying that he wants the police to be crime fighters, not form fillers. We all agree with that—there is no problem with that statement—but a reduction in the police grant is proposed today, and if the comprehensive spending review cuts the police budget by 25%, ACPO has said that would mean 20,000 fewer police officers. There will be conflict between the Government and the police force, because it will not remain silent, just as it did not remain silent on police pay.

I had only one really robust conversation with the previous Prime Minister, which will not be in my memoirs, although I have thought of a name for them: I am going to call them "The 23rd Man" rather than "The Third Man". That robust conversation occurred when I reminded him that we had a duty to respect the police. There is no point in Ministers and shadow Ministers, every time there is some great tragedy, coming to the Dispatch Box and praising the police but then not giving them the pay rise that was agreed in arbitration. When we are in the position of cutting perhaps 20,000 police officers, we will have a severe problem and the police force will be in conflict with the Government. I hope it does not come to that.

I hope also that Parliament will support the Minister in his battle with the Treasury. I know it is difficult for Ministers to do this in the current economic climate, but policing policy needs defending. The Minister should feel confident that he can go to the Chancellor, quote speeches such as that of the hon. Member for Peterborough and say, "At a local level, we cannot have fewer police officers. We must retain the level and we must invest in our police service." I joined others on the streets of our capital to oppose what the Labour Government did on police pay, because I think that we need to defend the police not just at the Dispatch Box, but outside.

Robert Halfon: I am interested to hear the right hon. Gentleman's eloquent speech. He talks about retaining numbers, but given that 80% of the police budget is spent on staffing costs, which is a huge amount, surely one way of retaining the numbers is by reducing that 80%.

Keith Vaz: That will, of course, happen with the reduction before us today, even though some chief constables have said that they will not make police officers redundant. Under the proposals that Treasury Ministers have put to the Home Office for a reduction of 25%, I am afraid that that will happen. What I am saying is that the hon. Gentleman will have to go back to Harlow, as I will have to go back to Leicester and other Members will have to go back to their constituencies, and explain why that has happened. The mantra, "They left us with no money," is not going to be enough, so we need to work constructively. We need to help the Minister to do battle with the Treasury. We need to try to ring-fence this budget, because policing is just as important as the NHS and just as important as schools and education. It needs to be protected. I hope that the Minister understands that in the months ahead, with the CSR and other considerations, he should feel free to come to Parliament and listen to what colleagues are saying about the impact at local level. If he does that, he will understand that the global figures are one thing, but that the cuts at local level will be severe.

This is an important debate and I hope that we will have another opportunity in the near future to discuss all the other ideas that Members have put forward, because the package cannot stand on its own. It has to be done with all the other reforms and changes that are necessary. I thought that my right hon. Friend the Member for Delyn (Mr Hanson) was a pretty good Police Minister, but if he were here doing what the present Minister is doing, I would vote against his Government, because I think it is wrong to reduce the police budget in this way. We need to realise how important this area of policy is and do our best to defend it.

2.57 pm

Mr David Nuttall (Bury North) (Con): I think we need to be clear about one thing: if the last Government had spent within their means, we would not now be having this debate and we would not be faced with having to reduce the police grant. As a nation, we simply cannot go on spending at the rate we are—borrowing £1 out of every £4 we spend. The reduction of the police grant must be seen in that context. It is a direct consequence of Labour's economic mismanagement. I am confident that the police will have the managerial abilities to absorb the 1.46% reduction without front-line services being affected. Let us remember that even after the reduction, the police grant for this year will still be higher than it was last year. Compared with last year, this is not a cut, but simply a smaller increase.

In times of economic hardship, every area of expenditure has to be examined and we have to ask whether items of expenditure are really necessary. We have to ask whether what we are doing could be done more economically. The right hon. Member for Don Valley (Caroline Flint) talked about neighbourhood policing teams holding monthly meetings; we have to ask whether they really have to be monthly. Has any analysis been done of what percentage of local residents attend those meetings every month? As the chief constable of Greater Manchester police Peter Fahy wrote earlier this month:

> "The numbers of staff in front line policing is important, but more important is what these staff are doing, the degree to which they are freed up from bureaucracy and the overall impact they are achieving."

The Government have already scrapped Labour's targets for the police force and have made it clear that the police's only job is to cut crime. The only real test of an effective police force is not what it spends or the number of staff it employs, but how it protects the public it serves. Under this Government, police paperwork is being cut so that the police can spend more time out on the beat. That is what the public want to see, and I urge the whole House to support the motion.

2.59 pm

Steve McCabe (Birmingham, Selly Oak) (Lab): One of the Government's first acts was to cut £7 million from the West Midlands police budget in this financial

[Steve McCabe]

year. We are seeing cuts in police numbers, cuts in prison places and restrictions on closed circuit television and the use of DNA. I worry about the start that the Government have made, and I worry about the signal that they are sending on crime. Sir Hugh Orde, the president of Association of Chief Police Officers, has warned that it will be impossible to sustain the current number of police officers under the Government's plans. Far from being fair and reasonable, as the Minister suggested, Sir Hugh says that, it will be impossible to meet the demand for police on the streets.

The West Midlands police force is not an inefficient one. It is quite willing to recognise that it must make savings in these difficult financial times. Under Programme Paragon, it has ripped up its 21 command units and reduced them to 11 local policing units. That should save about £50 million, or about 8% of its budget, over three years. The force is not resistant to the economic circumstances that it faces. It is cutting overtime and bonus payments. It is cutting its training budget by about £500,000—not something I am sure is necessarily a good measure in the long run, but it is certainly not resisting the Government's suggestion that it should make efficiencies. The reality is that, despite what it is doing, it is being punished by the Government for taking reasonable steps to recognise the economic circumstances that we live in.

The Minister failed to answer my right hon. Friend the Member for Don Valley (Caroline Flint) when she asked about elected police commissioners, but the West Midlands police authority's view is that those proposals are unnecessary and unwelcome. I have as yet had no contact from constituents to tell me that the biggest priority for policing is to elect police commissioners. I have had plenty of contact from constituents about crime and policing issues, but electing police commissioners is certainly not one of them. The West Midlands police authority makes it quite clear that it fears that the Government will politicise the police. That is what that proposal risks doing.

The reality is that not only is the West Midlands police force an efficient one, but crime is falling in the west midlands and public satisfaction surveys are good. The surveys show that the public are happy with the police response and welcome the greater visibility of the police. I can give the figures for attending the local tasking meetings in my constituency. If the hon. Member for Bury North (Mr Nuttall) does not have that information, I suggest that he contact his local commander, because it is available in most forces.

Bishop Derek Webley, who is the independent chairman of the police authority, has warned that the danger in a place such as the west midlands is that an elected police commissioner—a single person—cannot represent our diverse community. Far from such elections being an open step on accountability, they will be a backward step and do the opposite. The reality is that this is simply a Tory party experiment that survived; it is a Tory manifesto commitment that endured, while the Liberal Democrat promise on police numbers was dropped. It is an experiment that, in these straitened economic times, which we have been told about repeatedly today, will cost about £50 million—money that could be spent on policing, including protecting my constituents. If the Government are worried about austerity and the problems of the deficit, this is hardly the time to engage in political experiments with the police. It is an utterly unwelcome step. As Bishop Webley says, it is "a costly exercise" that will put the focus on short-term policing.

The things that we have heard suggested in the debate today, such as the suggestion made by my right hon. Friend the Member for Don Valley that there should be a better connection between local problems and how organised crime develops, will be lost because we will elect someone every four years whose sole priority will be to get re-elected. The whole focus of policing will be skewed as a result of these measures. I have not heard a single constituent say that they are welcome. I have not heard a single rational defence of them today. We are told that the Government are worried about money, but they are prepared to waste money on an unnecessary experiment while they cut mainstream police budgets.

Ian Paisley (North Antrim) (DUP): Does the hon. Gentleman accept that one of the tried and tested experiments that the last Government made in Northern Ireland was the Policing Board? It was made up of a majority of elected members, not elected directly but drawn from the Northern Ireland Assembly, and a minority of people chosen by the Government from the community. Although it was ridiculed at first, it became one of the most stable ways to hold the police to account, because it included exactly what he suggests: cross-community, cross-sectoral interest groups, holding the police to account on a regular monthly basis. That has resulted in crime being driven down because police performance was put under the microscope monthly.

Steve McCabe: The hon. Gentleman makes an important point. Policing in Northern Ireland is particularly difficult, but the steps that have been taken there have helped to broaden community support for the police. I am not averse to any measure that will make the police more accountable or broaden community support, but I am averse to wasting £50 million, when we have financial difficulties, on an experiment that has no basis or validity and that no Minister has yet shown any willingness to try to defend. That is what I am against.

The Liberal Democrats told us that they would put more police on the streets by scrapping identity cards. Well, we have considered the Identity Documents Bill in Committee—the Bill to scrap ID cards is in train—but it will not save us money; the Government will spend an extra £500 million this year to scrap ID cards. That money could be spent on the police. If they spent more time thinking about the police and less time pursuing these fantasies and being obsessed with cuts that serve an ideological purpose, which is their real basis, the police would be better off.

The West Midlands police are very concerned that the Government have indicated that they are not likely to give them a special grant, as is the normal custom, to cover the security costs of the Pope's visit. Perhaps the Minister will want to say something about that at some stage, but as well as having our budget cut, we will incur extra costs, which a Government would normally partly support with an additional grant. That is what happened when the Labour party was in power. I can remember occasions, including the G8 summit, when such funding was provided, but that has not been promised this time.

Barry Gardiner (Brent North) (Lab): I do not know whether my hon. Friend caught what Lord Patten said on the radio the other day. As the organiser of the Pope's visit, he said that there will be a clear separation in that the costs of the state visit will be borne by the state and, where the visit is for Church-related purposes, the costs will be borne by the Church. Clearly, I do not know which category specific events will fall into when the Pope is in my hon. Friend's constituency, but I recommend that he has words with Lord Patten to ensure that the appropriate funding is received from the appropriate body and that there is no additional strain on the public of his constituency in the west midlands.

Steve McCabe: I take my hon. Friend's point. I simply say that it is customary to provide a special grant for such events. That is not what the West Midlands police authority has been promised at the moment. If the Minister wants to correct that, I am quite happy to give way to him. Not only are the Government not giving a special grant, but they will make the West Midlands police authority meet 20% of the cost of Operation Pelkin—to the rest of us, that is the Tory party conference in Birmingham in October. Some £800,000, which could be spent on supporting my constituents in their fight against crime, will be spent on supporting the Tory party conference in Birmingham. I am afraid that it is nonsense to say that this is a fair and reasonable settlement, and that the Government are doing what they have to do because of an economic necessity. This is the Tory party doing what the Tory party always does. It has a pretext for attacking the public sector and the police. It will waste money on political experiments and make my constituents pay the cost. The things that it promised before the election are as worthless as the policies that it is implementing now.

3.10 pm

Nigel Mills (Amber Valley) (Con): It is a pleasure to follow the hon. Member for Birmingham, Selly Oak (Steve McCabe). I seem to have spent most of my short career as a Member listening to him in the Identity Documents Public Bill Committee and in the Chamber—his tones are deceptively Birmingham-sounding.

I shall confine my remarks to the amending report on the police budget and the reasons why I am prepared to support it, despite Derbyshire's police funding problems. I campaigned on the need to tackle this country's humungous budget deficit, and we cannot escape the fact that the Home Office will have to do its fair share of dealing with the problem. As much as we would like the savings to be found from admin costs in the Home Office—and perhaps by addressing the 6,500 pages of national guidance about which we have heard—we must accept that police forces will have to find their share of the cost.

My worry about the approach that has been adopted is that a straight-line saving is to be applied to each and every police force throughout the country, despite the different funding that those forces enjoyed—if I can use that word—under the previous Government. Following my discussions with the Minister about this point, I accept that if he was to bring about in-year funding, he had no alternative but to take such an approach. However, if we are to achieve value-for-money, efficient and effective police forces in the long term, we will need to ensure that each force receives fair funding and to implement the existing funding formula fully, instead of showing what each force needs and then giving it a vastly different amount, perhaps to help more preferred regions.

It is easy for a Back Bencher to accept the need for cuts in theory but then to demand that those cuts do not affect their own force and constituency. As a Derbyshire Member, I would find it particularly easy to cite facts to support that argument—I shall talk about them later—but I assure the Minister that I am not asking him to increase the police budget. I even accept that he cannot maintain the current budget for forces, but I hope that he will implement the funding formula properly so that forces such as Derbyshire get the funding that the formula says they need, rather than a significantly smaller amount.

The Derbyshire force is the 10th lowest spending force per head. The previous Government's failure to implement the funding formula has cost Derbyshire £26 million over the past five years, and £4.5 million in this year alone. That money could give Derbyshire an extra 200 police officers, perhaps 20 of whom would be in my constituency, with seven for each town. Hon. Members can imagine the improvement that that would make to my constituents' lives.

The cause of the lack of funding is not that Derbyshire is a low-crime area; I am comparing the funding given by the previous Government with the amount for which the funding formula should provide on the basis of Derbyshire's crime needs. We have heard a lot about how forces could collaborate to save money, but the problem affects not just Derbyshire, because forces throughout the whole east midlands are significantly underfunded. East midlands police forces receive the lowest grant per crime in the country—£1,459—while the Met and north-east forces receive more than £2,400 per crime. That is not fair to the people of the east midlands, Derbyshire or Amber Valley.

I urge the Minister to address the problem. I am not saying that the east midlands and Derbyshire forces cannot make efficiency savings or do things better—the forces themselves would not say that—but surely it cannot be right that we expect the Derbyshire force to make efficiency savings on its grant of £1,459 per crime when other forces receive an extra £1,000 a crime. Such forces must find it easier to make efficiency savings than those that already receive less funding.

I am asking not for a wholesale, lengthy and expensive review of the funding formula, just that it is implemented properly. I am not asking the Minister to do that today, or even in full from next year. However, he needs to accelerate the progress towards removing the damping process so that, by the end of this Parliament, the police receive their fair share of the funding and can therefore do their fair share of tackling crime.

3.15 pm

Robert Halfon (Harlow) (Con): As part of the effort to reduce the £900 billion of public debt, Essex police authority's budget is being cut in this financial year. Mr Barker-McCardle, the Essex chief inspector, has said that it is his

"absolute priority to sustain front-line operational...services".

Essex police have made efficiencies of 25% in four years and spend just £153 per capita on policing each year, compared with £175 elsewhere. Given the force's track

[Robert Halfon]

record of shrinking back-office costs, the Essex chief constable has said that he is

"optimistic that we can tackle a £2.6 million cut without taking police officers off the street."

Front-line policing is therefore safe in Harlow and in Essex, but there is a more substantial question: how can we deliver better policing, given our financial constraints? There are several strands to that thread, but I shall concentrate on just one.

If we transform special constables into a Territorial Army-type force, they could cover more policing duties and offer excellent value for money. That could be paid for by rebalancing our police forces over several years. For example, as natural churn and retirement thin the ranks of police community support officers, each PCSO could be replaced by two or three special constables, each on a TA-type stipend. That would increase a force's overall capacity at times of crisis, as well as save money. It would also do a huge amount to boost retention among specials, who are very expensive to train, recruit and equip. Specials make up a genuinely local force, like neighbourhood watch, and offer an invaluable source of community intelligence.

For the past six years, Essex police authority has been working in harmony and partnership with the Conservative county council and Kent police authority. During that time, Essex's specials force has doubled from 350 officers to nearly 700. That is a credit to Essex police authority and the brave volunteers who serve the public as specials, often in hazardous conditions. We need to build on that solid base by incentivising specials to work more hours and develop professionally.

Susan Elan Jones (Clwyd South) (Lab): I greatly value "two for the price of one" in my local supermarket, but does the hon. Gentleman really think that that is appropriate when dealing with crime, policing, and law and order?

Robert Halfon: I absolutely believe that a larger number of specials would help our front-line policing considerably.

I accept that I am setting out the embryo of an idea and that the proposal's costs and benefits would need rigorous assessment, but I think that it is worth exploring. In the context of unavoidable cuts to police grants, a better retention rate among special constables would save money. Specials also give communities a tough local police force with full powers. More specials would, like the TA, give us defence in depth at a time of crisis.

I must stress, however—I am sure that this will please the Minister—that I am not calling for more money to be spent. My proposal is about refocusing the resources that we already have. Sadly, this year's £2.6 million cut to Essex policing is Labour's legacy, but I am glad that Mr Barker-McCardle has said that it is his

"absolute priority to sustain front-line operational police services".

If we want to deliver better policing with less money, we must enhance the special constables, because every time that we lose a special, we incur the cost of recruiting, training and equipping another, as well as losing their experience. The cuts are unavoidable and, of course, to be regretted, but they give us an opportunity to transform our police service with a focus on value for money. As part of that process, I hope that we will consider enhancing special constables.

3.19 pm

Mr Mark Spencer (Sherwood) (Con): I am grateful to be called in the debate. I will support the Government today, but with the proviso that we look at the funding formula. I am not blessed with the deficit denial that some hon. Members seem to be blessed with. The fact that we find ourselves in such dire financial circumstances leads me to the conclusion that we clearly need to take action, but we need to create a balance amongst some of the police forces. There will always be strains between different regional authorities and regions, but only one region loses out across the board, and that is the east midlands. In particular, Nottinghamshire police has had enormous problems in terms of getting its fair share of the funding formula.

The hon. Member for Wansbeck (Ian Lavery) referred to the strain on the Northumberland police created by the Moat case. I know he will have been grateful for the expertise of the Nottinghamshire firearms department, which assisted in that case despite the enormous disparity between those two police authorities. It may be worth pointing out that last year in Nottinghamshire there were 23,122 violent crimes, and in Northumberland there were 20,868. Clearly, Nottinghamshire has more violent crime. However, Nottinghamshire receives £141 per capita, whereas Northumberland receives £171 per capita, an enormous difference of £30. That manifests itself in the number of police officers that are available to each authority. In Nottinghamshire, we have 2,380 officers; Northumberland has 4,028. There is no doubt that such a disparity in the funding formula leads to the criticism of Nottinghamshire police, which many hon. Members will have seen in the press, and praise for Northumberland police. Will the Minister commit to implementing at a much greater speed the recommendations of the Flanagan report, and the Lyons report which preceded it, in balancing the amount of cash to our regions and authorities.

I welcome many of the policies that the Minister is bringing forward. I look forward to elected police commissioners. Many constituents tell me that the police do not recognise their priorities, and having an elected police commissioner will focus the minds of those police authorities on their genuine needs and priorities, and make sure that they are addressed. I welcome the examination of the procurement process nationally. I cannot help but notice that after 13 years, the previous Government started to talk about that in their last year, and within nine weeks of coming to the Dispatch Box, the Minister is driving that forward and moving us in the right direction. That really highlights the difference between talk and action, and I welcome the fact that the Government will take action and ensure that we get the right results.

3.23 pm

Nick Herbert: We have had a good debate and a number of points have been made by right hon. and hon. Members, to which I will try to respond as quickly as I can. My hon. Friend the Member for Carshalton and Wallington (Tom Brake) asked for an assessment of police numbers now, and it is true that some forces were freezing recruitment before the general election. He also asked about our stance in relation to the comprehensive spending review, a point that was also made by the right hon. Member for Leicester East (Keith Vaz), who suggested

that the police budget should have been protected. We will not know the amounts that will be available for policing until the outcome of that spending review, and those are precisely the discussions that we are having within Government at the moment. Again, decisions will be made about the special grants, including those for neighbourhood policing and so on, which we will announce in good time.

The hon. Member for Birmingham, Selly Oak (Steve McCabe), who I am sorry to see is no longer in his place, was concerned about the Pope's visit. I understand that a bid is expected from Warwickshire police, whose region the Pope will visit, and from other forces, such as the West Midlands, and they will be considered under the special grant. The hon. Gentleman complained about policing costs in relation to the Conservative party conference that is due to be held in Birmingham. Considerable economic benefits accrue to places where party conferences are held, in terms of the number of people attending and so on. I understand that West Midlands police have bid for £4.5 million of special grant for the costs incurred in policing the Conservative party conference this year. By comparison, Greater Manchester police have bid for £4.2 million for the cost of policing the Labour party conference in Manchester this year. That is more than the amount awarded to Greater Manchester police in special grant for the costs incurred in policing the Conservative party conference in October the previous year. Labour Members might like to reflect on why in opposition their conference should be more expensive to police than the Conservative party conference was when it was in opposition.

The right hon. Member for Don Valley (Caroline Flint) made a forceful speech in which I understood her to propose that there should be compulsory amalgamations of police forces. I know that that is a policy that has long since been abandoned by the official Opposition, having failed to deliver it. I did talk about the importance of serious crime and ensuring collaboration to deal with it.

Caroline Flint *rose—*

Nick Herbert: If the right hon. Lady will forgive me, I have no time.

Caroline Flint *rose—*

Nick Herbert: I have very little time, if hon. Members will forgive me. I want to respond to the thoughtful contribution to the Select Committee Chair.

Caroline Flint: On a point of order, Mr. Deputy Speaker. There is plenty of time, and as the hon. Gentleman has accused me of suggesting a policy that I did not suggest, I should have the right to intervene.

Mr Deputy Speaker (Mr Lindsay Hoyle): That is not a point of order. The debate can continue until 3.47 pm, but it is up to the Minister to decide whether to accept an intervention.

Nick Herbert: I will allow the right hon. Lady to intervene.

Caroline Flint: I thank the Minister. I did not suggest that there should be compulsory amalgamation of police forces. I was pointing out the problems in the current force structure that must be attended to to ensure that we have the best possible capacity to deal with serious and organised crime. That is a debate that we should be having, both in terms of value for money and efficiency.

Nick Herbert: I think that many of us heard the right hon. Lady suggest that there should be forced amalgamations. We will be able to read the record and check. I am happy to have her assurance that she did not, in which case her position would appear not to differ from that of the Government. I remind her that I talked about being tougher and about achieving savings and collaboration where there was a policing need, for instance, in relation to serious crime. I do not believe she was making points that had not been understood by the Government in relation to the importance of ensuring that policing serious crime is protected.

I listened with interest to the contribution of the Chair of the Home Affairs Committee. He drew attention to the importance of assessing the effectiveness and performance of the national policing bodies, including the Serious Organised Crime Agency and the National Policing Improvement Agency, which is under review. We do have concerns about value for money and ensuring that those organisations deliver the necessary outcomes, given the large sums of taxpayers' money that are awarded to them. He was right to draw attention to that.

On the right hon. Gentleman's warnings about relations with the police in the future, I should point out that we are asking police officers, in common with other public sector employees, to make sacrifices. We expect the police service to be subject to the same pay freeze—dependent on proper negotiations with the Police Negotiating Board—as other members of the public sector, and we want to ensure that the police are treated both fairly and equally.

My hon. Friend the Member for Harlow (Robert Halfon) talked about the importance of special constables, and I could not agree more. In the 1950s, partly as a hangover from the war, there were 67,000 specials; now there are 14,000. Some progress has been made in recent years to recruit more, but there is a huge untapped potential to recruit more policing volunteers, and we should take that seriously, rather than dismissing it, as I thought one Opposition Member intended to do.

In an effective speech about the importance of local policing, my hon. Friend the Member for Peterborough (Mr Jackson) talked about the faux anger and synthetic outrage that we have seen from Opposition Members. We have seen not only that but exaggerated claims about the impact of the spending cuts that we are now asking the House to approve. I repeat that, for each police force, these cuts represents less than 1.5% of the amount of money that they will receive from central Government, and less than 1% of their total budget this year. I repeat also, whose fault is it? It is the fault of the Opposition, given the economic legacy that they have bequeathed to this country, and it is the responsibility of this Government and our Members to deal with it. We will face up to that responsibility, and I hope that hon. Members will support the motion.

Question put.

The House divided: Ayes 324, Noes 234.

Division No. 23] **[3.31 pm**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clegg, rh Mr Nick
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davis, rh Mr David
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunt, rh Mr Jeremy
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Miller, Maria
Mills, Nigel
Milton, Anne
Mitchell, rh Mr Andrew
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew

Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Mr Shailesh Vara and Jeremy Wright

NOES

Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clwyd, rh Ann
Coaker, Vernon
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Elman, Mrs Louise
Engel, Natascha
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Hain, rh Mr Peter
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hood, Mr Jim
Hopkins, Kelvin
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana R.
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McCrea, Dr William
McDonnell, John
McFadden, rh Mr Pat
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Mearns, Ian
Michael, rh Alun
Miller, Andrew
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Paisley, Ian
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Simpson, David
Singh, Mr Marsha
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watson, Mr Tom
Watts, Mr Dave
Wicks, rh Malcolm
Williamson, Chris
Wilson, Phil
Wilson, Sammy

Winnick, Mr David
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Woolas, Mr Phil
Wright, David
Wright, Mr Iain

Tellers for the Noes:
Lyn Brown and
Mary Creagh

Question accordingly agreed to.

Resolved,

That the Police Grant Report (England and Wales) for 2010-11: Amending Report 2010-11 (House of Commons Paper No. 47), which was laid before this House on 10 June, be approved.

Prevention and Suppression of Terrorism

3.44 pm

The Secretary of State for the Home Department (Mrs Theresa May): I beg to move,

That the draft Terrorism Act 2006 (Disapplication of Section 25) Order 2010, which was laid before this House on 24 June, be approved.

Our country has many years' experience of dealing with terrorism. Five years after the appalling events of 7/7, the threat from Islamist terrorists is well known. The threat from dissident Irish republican terrorists has not gone away, and new threats will undoubtedly emerge in future.

Terrorism is not just another crime. Its purpose is political, its methods are barbaric and its effects can be devastating. For those reasons, dealing with terrorism and terrorist suspects cannot be treated in the same way as dealing with other crimes and other criminal suspects. The potential loss of life from terrorism means that the priority of the police and security agencies is to stop attacks happening in the first place. That often means that they have to intervene at a very early stage to prevent the terrorists' plans from becoming too far advanced, which often means that there has been insufficient time to gather enough admissible evidence to charge the suspects. So, uniquely in terrorism cases, it is often after arrest that most of the evidential investigation takes place.

Furthermore, once arrests have been made the police can be presented with an enormous volume of information, which is exacerbated by three things: first, modern communications, because of the increasing and more sophisticated use of encryption; secondly, globalisation, because of the complexity of international terrorist networks and the need for co-operation in often difficult diplomatic circumstances; and, thirdly, the ambitions of the terrorists, because of the need for forensic examination of the hazardous and volatile materials that many wish to use as their weapons.

Unlike Ministers in the previous Government, I say that not to make the case for 28 days', 42 days' or 90 days' detention before charge, but because I believe that it is important to remember during the debate the gravity of the threat that we face, and the difficulty of the job done by the police and the intelligence and security services.

Jeremy Corbyn (Islington North) (Lab): Obviously, one understands that there is an important and serious job of investigation to be done. However, this country has a uniquely long period of pre-trial detention—far longer than that of any comparable country. I know that the Home Secretary has undertaken a review of that, so would it not be sensible to give a signal that we intend to reduce the length of pre-charge detention, by decreasing it to 14 days today rather than reaffirming the 28-day order? We reaffirmed the prevention of terrorism Acts throughout the 1980s and 1990s. Every time we said that the matter would be re-examined. Maybe this time, we should do something.

Mrs May: If the hon. Gentleman has some patience and listens to what I am saying, he will hear the signal that I want to give about 28 days. However, he will recognise that, by definition, the fact that I have moved

that the order for the 28-day measure be continued for six months means that I am not suggesting that the detention period should change to 14 days today.

I have set out the nature of the threat, and it is important that we recognise its gravity in the debate, but it must be met by taking proportionate action, and the job must be done with proportionate powers. That is why, yesterday, I announced the inclusion of pre-charge detention in my review of counter-terrorism powers, along with control orders, stop-and-search powers, the use of the Regulation of Investigatory Powers Act 2000, deportations with assurances, and measures to deal with organisations promoting hatred or violence.

I want to make it absolutely clear to the House that I consider the 28-day limit to be a temporary measure, and I want it brought to an end once I have completed my review. Since the power to detain for 28 days was passed by Parliament and came into force in July 2006, 11 people have been held for more than 14 days, eight were charged with terrorist-related offences, and four were found guilty. Of those, six people have been held for between 27 and 28 days, three were charged with terrorist-related offences, and two were found guilty. No suspect has been held for more than 14 days since July 2007. When one considers that in the 12 months ending in December 2009 28 terrorism-related trials were completed, with 93% convictions, including six life sentences, it is clear to me that the power to detain for up to 28 days is not needed routinely for the police to investigate, interrogate and charge terrorist suspects.

The possibility remains that in some extreme circumstances it might be necessary to detain some suspects beyond 14 days, but those circumstances remain rare and extreme, and we need to be sure that the powers are never abused. That is why we need to take time to consider pre-charge detention as part of the review of counter-terrorism powers. Therefore, in moving today's motion, I am asking hon. Members not to support 28 days indefinitely, nor to support 28 days for 12 months, as was envisaged in the Terrorism Act 2006, but to support a renewal for six months while the counter-terrorism review considers how we can reduce the limit.

The draft order that I have laid before the House will come into force on 25 July and will expire on 24 January 2011. After that, it will be up to me as Home Secretary to come back to the House to ask for a further extension, to let the limit fall to 14 days, or to present new proposals that reduce the limit but introduce contingency arrangements in extreme circumstances.

The review of counter-terrorism powers will, as I said yesterday, be informed by the principles of the coalition Government. Those principles—shared principles—are based on a respect for our ancient civil liberties and individual freedom. There is nothing we take more seriously than our duty to protect the public, but in doing so we will not, as the previous Government did, forget to defend our way of life.

Pete Wishart (Perth and North Perthshire) (SNP): In her reply to me yesterday, the Home Secretary said that her favoured time would be 14 days. We know that that is the view of the Liberals and the view that is coming out of the Home Office, so why waste time and expense if we already know the result? Why not get on with this today, and just go back to 14 days?

Mrs May: I made it clear to the hon. Gentleman in my answer yesterday that 14 days represents my personal view, but I also said in answer to him and a number of hon. Members that I do not think it right to pre-empt the result of the review. As I indicated, one option from the review might be to return to the House with a proposal for a reduced period of pre-charge detention, but with the possibility of contingency arrangements for extreme circumstances, when it may be necessary to take detention beyond 14 days. We should wait to hear the options that come from the review. That is why I am suggesting that hon. Members today support an extension, albeit just for those six months.

I referred to the principles of the coalition Government and said that we would not forget to defend our civil liberties, but that we take the duty to protect the public more seriously than anything else. The need to get that balance right is why we have already introduced legislation to get rid of identity cards and announced interim restrictions on the use of stop-and-search powers under terrorism legislation, and why I included the controversial use of automatic number plate recognition cameras in the review of CCTV regulations. We will introduce a freedom Bill, adopt the protections of the Scottish model for the DNA database, restore rights to non-violent protest, end the storage of internet and e-mail records without good reason, and extend the scope of the Freedom of Information Act. Freedom runs through the DNA of this coalition Government, and it will apply to our work on pre-charge detention as it will to everything else we do.

The country has not only a new Government, but a new Parliament. Having spoken to many new hon. Members as well as old, I know that this Parliament takes very seriously its role in protecting our freedoms. I therefore hope that we can today rise above the sort of arguments put forward by Ministers in the previous Parliament, and work out together how we can reduce the limit, subject to adequate safeguards and contingency plans. I extend that invitation to Opposition Front Benchers.

Yesterday, when I announced the review of counter-terrorism legislation, the shadow Home Secretary, the right hon. Member for Kingston upon Hull West and Hessle (Alan Johnson), queried the need for further safeguards,

> "given that 28-day detention has to be re-approved by Parliament each year".—[*Official Report*, 13 July 2010; Vol. 513, c. 799.]

However, what sort of safeguard was that, given that the previous Government used to whip Labour MPs to reinstate it every year, come what may? Similarly, one source was quoted in a national newspaper this morning as saying:

> "You either have complete security or complete civil liberties—you cannot have both."

I am afraid that that sort of zero-sum mentality damaged individual freedom under the previous Government. It is time we moved beyond that thinking, so that we have a more mature approach that balances the need for national security with important civil liberties.

I am aware that in asking many hon. Friends and hon. Members to vote for this temporary six-month measure today, I am asking them to take a deep breath and vote for a measure that they do not very much like. But I can assure them that if they support this order, I

[Mrs May]

will work with hon. Members on both sides of the House to find a solution that reduces the limit for pre-charge detention, but gives the police the powers they need to keep us all safe from those who would bring devastation to our country. I commend the order to the House.

3.55 pm

Alan Johnson (Kingston upon Hull West and Hessle) (Lab): It seems that the Home Secretary and I are allies in the debate this afternoon—although, having read her written ministerial statement and listened to her speech, I think that she is adopting the position of St Augustine—"Lord, make us virtuous, but not yet". The Home Secretary and I have many things in common, among them our charm, panache, looks and preference for flat shoes. And we both voted for 28 days in 2005. Neither of us has ever voted against 28 days, and we both belong to political parties that made no mention of reducing pre-charge detention of terrorist suspects in our manifestos.

This issue will, of course, form part of the review that the Home Secretary rather foolishly described yesterday as putting right the failures of the previous Government. If 28 days was a failure, it is strange that she should advocate the continuation of that failure today. She is right to do so: as so often with the Home Secretary, the problem is not so much what she does as the way in which she does it. She told us yesterday that personally she was always in favour of 14 days. We understand that it is impossible to tell what she believes from her voting record, but this fervour for 14 days has been a well-kept secret. She has always actually voted for 28 days.

Incidentally, the person whom the Home Secretary has appointed to provide independent oversight of the review—the former Director of Public Prosecutions, Lord Macdonald of River Glaven—made clear in evidence to the Home Affairs Committee his support for 28 days, stating:

"We welcomed the increase to 28 days and we felt that a period of 14 days was not sufficient. It seems to us that 28 days has been effective and has provided us with powers, supervised by the courts, which have been useful to us as prosecutors in making appropriate charging decisions within that period."

This review, like Brighton seafront, has two peers—both Lib Dems—and the views of Lord Macdonald are completely in line with the view of Lord Carlile, the independent reviewer of the terrorist legislation, whose work the Home Secretary rightly described yesterday as "excellent". Lord Carlile not only accepted the need to maintain 28 days but said:

"I expect in the course of time to see cases in which the current maximum of 28 days will be proved inadequate. This will be very rare but inevitably extremely serious."

The 28 day pre-charge detention for terrorist suspects is a temporary measure which, thanks to the work of my hon. Friend the Member for Walsall North (Mr Winnick), who is in his place, has to be renewed each year. The task of the House in considering whether to support a further extension—in this case for six months—was succinctly expressed by the hon. Member for Bury St Edmunds (Mr Ruffley) when he spoke for the Conservatives in last year's debate. Perhaps I may just mention that we all look forward to seeing the hon. Gentleman restored to good health. He has many friends across the House who respect and admire him and want to see him back on the Government Benches very quickly. He said last year that the Government must first demonstrate convincingly to Parliament that the security situation is such that 28 days remains indispensable, and secondly, that the legal framework must meet the procedural protections afforded by our common law and by the Human Rights Act. He said, with his customary prescience:

"I hope that this will give an indication of the approach that we want to take, should there be a change of Government before the next renewal."—[*Official Report*, 9 July 2009; Vol. 495, c.1165.]

I accept that a small minority of Members—it may or may not include the Home Secretary—are convinced that pre-charge detention should be 14 days or less, and I respect that view. It has been consistently argued by several—a minority, but several—Members. The majority of Members, however, will look at the evidence and decide on that basis whether in the year since we last renewed this legislation, the terrorist threat has faded and/or whether this legislation is being abused by the criminal justice system.

Jeremy Corbyn: Is my right hon. Friend aware that no other country in Europe, or indeed North America, that suffers the same kind of concerns as we do has seen fit to go down the road that we have in this country—of having very long periods of detention before charge?

Alan Johnson: I am not aware of that. In fact, the usual argument is that the common-law countries such as Australia, Canada and even the US do not have this system. Europe is the worst place for my hon. Friend to find his examples. Let me cite Norway, for instance. Good old, solid, Scandinavian, liberal Norway has provisions that allow people to be kept in custody—renewed by a High Court judge, who is involved in any detention beyond 14 days—for far longer than 28 days, or even 42 days. That was a helpful intervention, and I am grateful to my hon. Friend.

I think that the hon. Member for Bury St Edmunds succinctly summed up the two issues I mentioned, but there is one further aspect that we have to consider in deciding whether to renew this legislation. It was rightly raised by my right hon. Friend the Member for Leicester East (Keith Vaz). The issue is whether the very existence of 28-day detention leads to radicalisation in certain communities to the extent that it defeats the objective of reducing the terrorist threat. The Home Office community impact study published in March certainly found examples of UK Muslims having a strong negative perception of counter-terrorism legislation, but concluded that there was insufficient evidence on specific aspects, such as 28 days, to lead to any firm conclusions. I doubt whether anyone in this Chamber thinks that pre-charge detention of 28 rather than 14 days has of itself radicalised anyone to the extent that they would be prepared to engage in terrorist activity.

While I am dealing with this aspect, I hope the Home Secretary can refute the story in *The Guardian* this morning that she has decided to dismantle the Prevent strategy. She told my right hon. Friend the Member for Salford and Eccles (Hazel Blears) yesterday, as is recorded in column 802 of *Hansard*, that the strategy was being

reviewed by the Home Department and the Department for Communities and Local Government. When I read the Home Office draft structural reform plan released yesterday, which is the source of the story in *The Guardian*, all I could find was the eminently sensible objective of keeping the "prevent" strand of counter-terrorism separate from the "integration" initiatives of DCLG. I would welcome clarification.

Mrs May: I am happy to give the right hon. Gentleman the clarification he seeks. As set out in the Home Office structural reform plan, we intend to look at the different strands of the Prevent strategy and to ensure that they are properly focused on the right aims. I believe that it is right and appropriate to separate out the part of the Prevent strategy that is about integration from the part about counter-terrorism. One problem with Prevent is that those two aspects have become intertwined in too many people's thinking, which has, sadly, led to some of the Prevent work being rejected by those whom it was intended to help.

Alan Johnson: I am grateful for that clarification, and I completely agree with what the Home Secretary has said about Prevent.

As the Home Secretary said in her speech, the security threat is, if anything, greater today than it was a year ago. In the year since the last renewal, we have learned more, by means of Operation Overt, about the so-called liquid bomb plot, through the successful prosecution of those involved. We should remember that this involved the planned destruction of seven passenger planes all flying to North America, and is one case in which pre-charge detention beyond 14 days was necessary in respect of six people involved in that plot.

We also know now that Operation Pathway in Greater Manchester, which was a matter of speculation in the debate this time last year, is now understood to have been a serious and advanced terrorist plot. It was, thankfully, thwarted yet again by the security services. In the past year, two further organisations have been proscribed. The threat level, decided not by Ministers but by the experts in the security agencies, has been changed to "substantial" and then back to the second highest level, "severe", which means that an attack is highly likely. As we meet today to make a decision based on the evidence over the coming year, that is the position in which we find ourselves.

On Christmas Day, Umar Farouk Abdulmutallab, a Nigerian citizen who studied in the United Kingdom and was radicalised in Yemen, flew from Lagos via Holland with 80 grams of PETN explosive—which successfully circumvented aviation security—sewn into his underpants, in an attempt to blow up a passenger plane over Detroit. That demonstrated first the continuing ingenuity of our enemies, and secondly the international nature of the threat.

There has been one other important development over the year: the report of the all-party group of Privy Counsellors, under the chairmanship of Sir John Chilcot, on the crucial issue of intercept evidence. When I was Home Secretary, I briefed the Prime Minister and the Deputy Prime Minister separately in their previous roles. They fully understand—as, I know, does the Home Secretary—that the Privy Counsellors found that two of the nine principles that they themselves had established in order to ensure a practical way in which to meet our shared desire to use intercept as evidence were breached during the simulations that they conducted in the course of their work. They are doing further work to see whether they can find a way around the difficulties, but the issue is obviously integral to the whole question of pre-charge detention.

I ask the Home Secretary to reconsider the response that she gave yesterday to the hon. Member for Wellingborough (Mr Bone), who asked why intercept evidence was not being considered as part of the review. She rightly said that it was better to consider the issue over time, but that, I believe, is an argument for spending longer on the review. I fail to see how such an important component of the argument about 28 days—rehearsed in every annual debate, and also integral to the consideration of control orders, which is also part of the review—can be separated from the overall review.

Finally, there is the important question of whether the power is being abused in the legal framework. Some Members argue that we should abandon this measure because it is not used very often, but I would be more concerned if it were used other than sparingly. As the Home Secretary rightly said, it is an exceptional measure, as Lord Carlile has pointed out, the need for it is rare, and the Crown Prosecution Service is well aware that no one should be detained for a moment longer than necessary. There is no evidence that the power has been abused, but Lord Carlile made an important recommendation in his review of Operation Pathway, proposing the granting of conditional bail by a judge for a period up to the 28th day following arrest, which would enable restrictions short of custody to be imposed while the inquiry continued. That strikes me as worthy of consideration, perhaps during the review.

In my view, the evidence is overwhelming. The statutory instrument should be approved today, and the Government should tread very carefully if the purpose of their review is to arrive at a conclusion consistent with the Liberal Democrat manifesto commitment to reduce the 28-day pre-charge detention period for terrorist suspects regardless of the dangers and the overwhelming evidence.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. I remind Members that the debate is time-limited. They will have noted how many others wish to take part, and I ask them to exercise some restraint.

4.8 pm

Mr David Davis (Haltemprice and Howden) (Con): It is a pleasure to follow both my right hon. and charming Friends, the Home Secretary and the deputy—sorry, shadow—Home Secretary. I am sorry; that was a Freudian slip, but almost a deliberate one.

Let me begin by wishing you a happy Bastille day, Mr Deputy Speaker. It seems appropriate, given the subject that we are discussing. I shall not recommend that we storm the barricades, but I do intend to divide the House on the motion. I tell Members that now, so that it is clear where we are going. We may not trouble the scorers greatly in the Lobby against the Government, but, given the historic role of the House in defending the liberties of our monarch's subjects, I think it important that a policy which, whatever its rights and wrongs, has

[Mr David Davis]

so far led to the imprisonment of three innocent people for 28 days is one on which the House should decide explicitly and not on the nod.

I welcome the Home Secretary's intention to have a six-month review of counter-terrorism policy, but I say to her that, in my view, there is plenty of very clear evidence to demonstrate that 28 days is too many. I will also go through some of the points the shadow Home Secretary raised in his speech. These are not just matters of principle; they are matters of high principle and hard fact.

The shadow Home Secretary said he recognised that there are concerns that an authoritarian approach to counter-terrorism policy might have the deleterious effect of creating more radicalised Islamists—more potential terrorists—than a more traditional liberal British approach would. That is clearly the case. The hard fact supporting that assertion was given by the head of MI5 in his last speech to the country, when he said that there are 2,000 persons of interest—those are his words—to MI5, which is a 25% increase on the previous year's figure. If the increase continues at that rate, no amount of security will defend us from the consequences of our own actions.

Radicalisation is, of course, created by more than just authoritarian policies, but such policies do drive it. Anybody who talks to the leaders of Muslim communities up and down the country will know that—they will pick that message up time and again. At the forefront of that trend is the 28-day policy. In relation to home-grown terrorism, detention without charge is the biggest recruiting sergeant for our opponents.

Patrick Mercer (Newark) (Con): Does my right hon. Friend agree that it was interesting that the shadow Home Secretary did not choose to mention the threat we currently face from republican terrorism coming from the north of Ireland? In view of the fact that we are approaching the internment day anniversary of 8 August, would it not be an extremely powerful statement to reduce the detention period from 28 to 14 days now, rather than to wait until later?

Mr Davis: My hon. Friend makes a very good case, and he knows Northern Ireland terrorism better than most people in this House. He also knows that internment was one of the best recruiting sergeants for the Provisional IRA and others in that period. So yes, he is right.

The second hard fact I want to draw on relates to the reasons given to me for 42 and 90 days by John Reid, the predecessor as Home Secretary of both my right hon. Friend the current Secretary of State and my friend the shadow Secretary of State. When John Reid briefed me, as shadow Home Secretary, on his Government's proposals for those periods of detention, the most telling argument he had—to be fair, it was telling—was the prospect of the British agencies being overwhelmed by multiple prospective attacks at the same time. The circumstances he listed were as follows: multiple plots against multiple targets at multiple locations, with not all the information involved being in our control—perhaps some of it was coming from foreign intelligence agencies such as the Pakistani service—and with the plot already starting to be carried out, so that it was necessary to move quickly.

That was the case the then Home Secretary made, and within a month or so of his briefing me on it we almost had a rehearsal in Operation Overt, the Heathrow plot, to which the shadow Home Secretary referred. It was thought at the time that 10 aircraft had been targeted, although it now turns out that the true number was seven, as well as multiple locations—there were many suspects at the beginning in at least three different locations. There were also concerns about gaining access to some of the houses and other places where evidence was thought to be located, and foreign evidence was involved, too. It was a facsimile of the case John Reid had described.

Kris Hopkins (Keighley) (Con): Does my right hon. Friend agree that, although we accept that radicalisation may not be created by one action or one piece of legislation, having pre-charge detention of 28 days compromises civil liberties and that, for some at least, it is one step towards radicalisation—as is the Prevent agenda's national indicator 35, which targeted the Muslim community specifically? We need to make sure that we do not compromise the democratic process and that we engage all communities.

Mr Davis: My hon. Friend is entirely right. This is the most symbolic of the restrictions of our civil rights, and the one seen by Muslim communities in this country as being targeted on them. It is not intended to be, but that is the way it is seen.

What actually happened as a result of Operation Overt and the Heathrow plot? As the shadow Home Secretary said, six people were held beyond 14 days; five people were held for 27 or 28 days, and at the end of that process it turned out that three were innocent. I used the word "innocent" when the previous Government were in power, and I was almost shouted down. I mean innocent: no control order, no surveillance, no open file—the police thought they were innocent. When I obtained that information I had with me as my witnesses my hon. Friend the Member for Esher and Walton (Mr Raab) and the Attorney-General. What was thought was therefore very plain.

Alan Johnson: The right hon. Gentleman is making a very effective case. Can he explain why, in last year's debate on this issue, he voted for the continuation of 28 days? His party abstained but he made the point in that debate that he could not accept 14 days, which he is now advocating, precisely because he knew inside details of Operation Overt and what happened at Heathrow. What changed his mind during the ensuing year?

Mr Davis: It took us time to get to the bottom of the facts. When I asked the right hon. Gentleman's predecessor as Home Secretary to give us the information I am talking about, we were not given it. I asked for it three times, and my hon. Friend the Member for Esher and Walton was there on at least one or two of those occasions. This is one of the problems with the Home Office: it mouths the words "justice must be seen to be done", but it does not live by them in terms of transparency.

Let me turn to the remaining two people who were detained, because some further facts have come to light. We were told at the time, "Here is a serious case and we have to go to 27 or 28 days—right to the edge—in order to bring a case against them." However, we pressed the matter and asked when the evidence was obtained to

charge those individuals. It was obtained not at 27 or 28 days, but before 14 days—if I remember correctly, on day three and day 12. It was perfectly possible to charge those people before the 14-day limit; now we find, however, that they were charged on day 28. They spent nine months in prison on remand, and even in that time not enough evidence was found to convict them. One of the cases was thrown out by the judge after hearing it—it did not even go to a jury. The other was rejected unanimously by the jury and the individual concerned was exonerated. It was not a soft jury: the same jury convicted three other terrorists in the same trial. So, we had five people, every single one of whom was innocent.

That is what our policy has done so far and why it is a recruiting sergeant for terrorism. It might not make somebody a terrorist, but it does make the communities concerned less likely to co-operate, less likely to provide information, and less likely to help us to prevent the next terrorist attack. That is why the policy is completely counter-productive.

Let me turn to hard fact No. 3: the simple list put out by the previous Government and the present Government showing why we need this provision for another six months. We are told how difficult terrorist cases are. What did we do when we were trying to be consensual with the previous Government? Both the Conservatives and the Liberal Democrats agreed with—in fact, we thought up—the idea of acts preparatory to terrorism. We supported the idea of terrorist training being an offence, so we made matters easier in that regard.

The next argument was, "We have lots of evidence and it might be encrypted—it might be in code." We had to remind the previous Government that when they passed the Regulation of Investigatory Powers Act 2000, they made it an offence to withhold the encryption key, so if the evidence is in code, belongs to the suspect and he does not provide the key, we have got him for five years anyway. Therefore, that argument went out the window.

Dr Julian Huppert (Cambridge) (LD): The right hon. Gentleman will no doubt be aware that in cases involving encrypted data, 28 days, six months or even a year would not necessarily be long enough if there were no access to encryption codes, so such a detention period would not help anyway.

Mr Davis: My hon. Friend—I suppose he is my hon. Friend—is exactly right. When we heard those arguments, we thought that, with the prospect of the terrorism levels being, as the shadow Home Secretary says, very high, the then Government would have acted quickly. What was worrying was that that RIPA requirement, passed in 2000, was not brought into effect until 2007—two years after the 7/7 bombings. So we did not even give what was already on the statute book as a weapon for the police to use.

The other thing the then Government said to us was, "If you charge people, you cannot interview them after charge." In 2005, we volunteered to amend that, but the Government did not make that change in the 2006 legislation. They put the provision in the 2008 legislation, which is not even in force yet. If we are serious about taking this on, we should deal with the things that actually attack the problems that we are trying to address. We should not create other problems for ourselves.

Mr William Cash (Stone) (Con): Has my right hon. Friend taken note of the recent statements by the Lord Chief Justice on such matters? He has been very clear about the need to protect the common law, so the whole issue of habeas corpus, which is an integral part of this, needs to be reinforced. What we need is fair trials, due process and habeas corpus, irrespective of the Human Rights Act 1998.

Mr Davis: My hon. Friend goes, as usual, right to the core of the issue. This is about habeas corpus; it is about the most fundamental British freedom there is.

When we have got through all the things I have mentioned, we come to what happens on day 28. I want to be helpful to the police. They might say, "I have somebody in my control who I am sure is a terrorist. I know that from everything I know. I can't quite prove it, but I think I will get the evidence if I have got him for another few days." What do we do then? We actually have something that we do then—it is called the threshold test. The test for charging somebody is allowable—we are allowed to charge them if we are convinced that they are guilty and that we will find the information shortly.

I am not going to name the individual, but at one point in this process I asked to see the head of counter-terrorism and I talked to him about that. What shocked me was that he did not even understand the threshold test. Again, I cite my hon. Friend the Member for Esher and Walton as a witness, because he was at that same meeting. It is terrifying that our own forces did not know the weapons that they had at their command.

Right across the board, every piece of evidence to support the case for the provision falls down. The most fundamental one, which has been mentioned, although it was rather mocked by the shadow Home Secretary, is the approach of other countries. None of the problems that I have described as the case in support of 28 days is faced by us alone; every other common law authority has the same problems. Yet America charges in two days and indicts in 10, Canada does that in one day, New Zealand does it in two days and South Africa does it in two days. The nearest arrangement to ours is indicative, because it is Australia, which does it in 12 days. Its 12-day provision was a mistake, but 12 days is what it was. However, as we stand here, its Senate is taking through a law to reduce that to eight days, and the only controversy in Australia is about whether it should be lower, not about whether it should be higher.

The simple fact is that our policy is built on political machismo, not on effectiveness. What we have to do is recognise what all the other civilised countries in the world are doing and go in the right direction, which is to cut 28 days.

4.23 pm

Mr David Winnick (Walsall North) (Lab): It is unlikely that the right hon. Member for Haltemprice and Howden (Mr Davis) and I agree on anything, except what we are now debating. We certainly see eye to eye on this question and have done for a considerable time.

The figure of 28 days was not picked out of the air in November 2005, when the maximum period was 14 days and 90 days was proposed. It should be remembered that, in July that year, there had been a massacre—there

[Mr David Winnick]

is no other way to describe it—of 52 innocent people, with others seriously injured. A fortnight later, on 21 July 2005, there was another attempted atrocity. That was the situation that faced the House of Commons when we were debating the issue in November that year. Given those circumstances and the fact that the Government—wrongly in my view—wanted to increase the 14 days to 90 days, it is understandable that the House agreed to 28 days.

As far as I know, no one actually suggested that the 14 days should stay. There was no vote on whether 14 days should remain the status quo. There was more or less agreement—apart from in the Government and among those who supported the Government at the time—that the number of days of pre-charge detention should be doubled from 14 to 28 days. Those were the circumstances in which we debated the issue at the time.

Mark Durkan (Foyle) (SDLP): The facts of the situation were that the provision on the face of the Bill was for three months' detention but at the key stage of the Bill, two amendments were listed. One changed the limit from three months to 90 days and the other changed it to 28 days. Those were the only two options on offer. When the Government's 90 day amendment was defeated, the 28 day amendment was the only way that anybody had of preventing the limit from staying at three months.

Mr Winnick: I do not wish to disagree with my hon. Friend, but what I am saying is that there seemed to be general agreement, given the circumstances of the atrocities that occurred in July 2005, that the limit should be increased. However, I do not particularly want to pursue that further because I am now of the view—I agree with the right hon. Member for Haltemprice and Howden—that we should return to 14 days, because I do not really believe that there is any justification for extending the order for another six months. I know the views of my right hon. and hon. Friends on the Front Bench but, again, I disagree with them.

We must always bear it in mind that for non-terrorist cases the maximum remains, rightly, only four days—96 hours. No Government, fortunately, has suggested that there should be any change to that whatsoever. Where terrorism is concerned, we are going beyond the four days allowed in non-terrorist cases—that is crucial. Until 2003, the maximum for terror suspects was just seven days. It has continued to increase—to seven days, 14 days and then 28 days. Fortunately, all attempts to increase it beyond 28 days—first to 90 days and then to 42 days—were defeated. The 42 days provision was passed by a majority of nine in the House of Commons but rightly rejected by the Lords.

As the right hon. Member for Haltemprice and Howden has said, there is of course the added provision now that did not exist in 2005—namely, post-charge questioning of terror suspects. That is an important element. The fact that the provision has not come into force is not a reason not to take it into consideration. Only the Home Secretary or the shadow Home Secretary can explain why it has not come into force. If there is a feeling that 14 days is not sufficient and that the terrorist threat remains acute—I could not agree more on the latter—one would have thought that the provision in the Act on post-charge questioning could be brought into force sooner rather than later.

I am the last person in any way to minimise the continued terrorist threat. I have always worked on the assumption that, as the police said at the time, it was a question of not if but when. The police were proved absolutely right, unfortunately and tragically, by the mass murder in July 2005. Surely no one would now say that the threat does not exist to the same level. I do not know if it is smaller or not, but I do know that if al-Qaeda could carry out the sort of atrocities that it carried out the other day in Uganda, it would do so without the slightest hesitation whatsoever. I mention that to make it absolutely clear that in no way do I argue that the terrorist threat does not exist or is minor—far from it. I am sure that the same applies to other hon. Members.

As far as the 28-day period is concerned, the Home Secretary has confirmed today that no one has been held for longer than 14 days since July 2007, so the provision is not in use. One argument for voting against it today is that we need not keep it if it is not absolutely essential. The Home Secretary is on record as saying that she would prefer a period of 14 days, so if that is the position, why not agree to a 14-day period today? Protecting the public from terror must be one of the highest priorities for all concerned, particularly the security services, the police and the Government of the day. The job of Parliament is to ensure that funding is provided to ensure that the police and security services can do their jobs. Obviously, that is essential, but we have another responsibility to protect, as far as possible, our traditional liberties. That is one of the most essential jobs of Parliament. It is relatively easy to defend civil liberties when there is no terrorist threat, but the real challenge is when there is such a threat, be it from the most obvious sources, or from dissident republicans or whoever.

When there is an acute threat, how do we protect the liberties that are so essential to the tradition of our country? The right of an individual not to be held by the police except for a very short time has become very much a part of the tradition of this country. The right of habeas corpus existed even when civil liberties as such did not, so a person could not be held indefinitely. That is why I feel so strongly about this issue and why I believe that it is not necessary, at this time, to extend the 28-day period. To repeat what I said nearly five years ago, every generation of parliamentarians has the responsibility to make sure that the freedoms and the civil liberties that we inherit from our predecessors should be passed on to our successors. That is important and it is why I have always been very wary of giving the police and the security authorities more power than is absolutely essential.

The Home Secretary said that there was a whipped vote for Labour Members on this issue at the time, and there was, not surprisingly—one would not expect otherwise. However, some of us broke the Whip because we decided that the matter was so important that we should vote against the Government, who were duly defeated. Without being patronising, let me ask Conservative and, perhaps, Liberal Democrat Members something: even if they are whipped today, do they really believe that it is absolutely essential to renew this order? If they do, they will vote

with the Government, obviously but if they do not, I hope that they will do what so many Labour Members did in November 2005.

4.34 pm

Mr Dominic Raab (Esher and Walton) (Con): I welcome the forthcoming review of the 28-day limit, the measures that the Home Secretary has already taken on ID cards and stop-and-search powers and the wider review announced yesterday. We have an opportunity with the coalition and, as the hon. Member for Walsall North (Mr Winnick) made clear, we have support across the House to restore our freedoms, while strengthening our security. This is not the zero-sum game depicted by countless, hapless Labour Home Secretaries, but it is crucial that we have an open and honest debate on these matters, and for that we need clear and accurate information.

I ask the Home Secretary to clarify a slight discrepancy between the answer that I received from her Department on 28 June and the quarterly bulletin of last November. My understanding is that only one person, not two, held for the full 28-day period has ever been convicted of a terrorism offence. I also ask her to provide in table form basic information that her department has previously refused to give. First, I should like to know, year by year, the number of people subjected to control orders, with a breakdown indicating the number of UK citizens and foreign nationals. That is relevant to our ability to deport terrorist suspects whom we cannot prosecute. Secondly, I should like information setting out the number of foreign nationals who have not been deported, broken down by category of reason—whether administrative, legal or based on human rights—so that we better understand why we have been failing to deport so many of them. That information is not impossible to collate, and it is vital for this issue and the wider debate on counter-terrorism.

Mrs May: My hon. Friend asks for a number of figures, but it is only fair to the House that I should pick up the first point that he makes, which relates to a parliamentary question that was answered in the name of the Minister of State, Ministry of Justice, my right hon. Friend the Member for Arundel and South Downs (Nick Herbert), who has responsibility for crime and policing. Unfortunately, an inaccurate statistic was included in that answer, and he will correct that in the *Hansard* record very shortly. The figures on pre-charge detention are indeed as I indicated in my speech. Eleven individuals have been detained for 14 days or longer. Six individuals have been detained for 27 to 28 days, of whom three were subsequently charged and three released. Of the three who were charged, two were convicted and the case of one was not proceeded with. In the answer that my hon. Friend was given, reference was made to the number of individuals who had been arrested as a result of an operation by Greater Manchester police. It was indicated that two individuals were involved. In fact, only one of the 11 arrested as a result of that operation was involved.

Mr Raab: I thank the Home Secretary for that clarification. It is refreshing to get clarification from the Home Office so swiftly.

Twenty-eight days' pre-charge detention was an emergency measure introduced on a temporary basis. We need a clear and convincing justification to retain it, because it undermines the ancient right of habeas corpus, which goes back to Magna Carta. We now know that, in relation to Operation Overt and the Heathrow plot of August 2006—the most challenging counter-terrorism investigation that we have ever faced as a nation—only five suspects were held for the maximum period of 28 days and only two were charged. Contrary to what Ministers said at the time, as my right hon. Friend the Member for Haltemprice and Howden (Mr Davis) has said, all the evidence relied upon was available well within 14 days. That Operation Overt was used by the last Government to justify proposals for 42 days' detention was deeply irresponsible.

Since Operation Overt, only one person has been held for longer than 14 days—an isolated case of 19 days' pre-charge detention. Last year, in 2009, no suspects were held in pre-charge detention for longer than 14 days and 70% were dealt with within 48 hours. So the raw facts in the debate are that, in four years, we have not needed longer than 19 days' pre-charge detention, let alone 28 days. If we are judging the necessity of the order on the pressures that the police face during the pre-charge period, the evidence no longer supports a limit beyond 21 days at the very most.

In truth, those data are not the only relevant information. Briefings by the heads of MI5 in 2006 and 2007 showed a rise in the number of terrorist suspects being monitored by the authorities from 1,600 to 2,000. In 2008, the head of MI5 stated publicly that the volume of late-stage terrorist planning had fallen that year. I am not aware of any more recent assessments from the head of MI5 or the agency more generally. The House will recall that MI5 refused to support the last Government's proposals for 42 days' detention. Ministers stated at the time that it would be inappropriate for MI5 to give a view, yet Tony Blair publicly relied on MI5's support for the increase in the limit in 2005. It cannot be in the interests of the intelligence agencies or the public that MI5 assessments are relied on by Ministers only when it is politically expedient or they want to publicise blood-curdling assessments of the terrorist threat. I ask the Home Secretary to put these arrangements on a more clear and stable footing. Either we should not have such briefings and public statements by MI5, or we should have regular, objective assessments of the domestic terrorist threat based on hard data that avoid any risk or perception of politicisation.

Paragraph 7 of the explanatory memorandum to the order claims that all the specific grounds cited as reasons for increasing the maximum limit to 28 days in 2006 "remain relevant". It is difficult to accept that sweeping assertion without further information. First, has the challenge of encrypted computers not been eased at all by the enactment in 2007 of a criminal offence of withholding encryption keys? Will the Home Secretary give us data on prosecution and conviction rates under that offence?

Secondly, will the Home Secretary inform the House of any case in the past two years in which the presence of chemical, biological, radiological or nuclear material has been a direct factor that has prolonged the period of pre-charge detention? Thirdly, will she explain the extent to which the new powers of post-charge questioning that were enacted in 2008 have alleviated the problem of having to intervene early in some terrorist investigations because of the threat to public safety? Alternatively, is it

[Mr Raab]

correct, as Liberty and several hon. Members have stated, that the relevant power was not even brought into force by the previous Government, despite all the hubris on that specific point?

The truth is that gaps remain in the UK counter-terrorism strategy, despite the excellent work and unstinting commitment of our police and intelligence agencies. If it is correct that the terrorist threat has remained constant and at its highest level, it must be worrying that the number of arrests leading to charge under terrorism legislation dropped by more than a fifth last year. The number of guilty pleas in terrorism investigations also fell by a third, while the number of convictions under terrorism legislation halved. Counter-intuitively, there was a conviction rate of 93% in terrorism cases, compared with rates of 31% for conspiracy to murder, 30% for wounding and 38% for rape, and that raises the more basic question of whether, as a matter of policy, we are taking a sufficiently robust approach to the exercise of prosecutorial discretion in terrorism cases—I am talking about not a case-by-case approach, but the overarching strategy on prosecution.

We need a review of prosecutorial strategy as part of a broader shift away from the previous Government's ineffective authoritarianism and towards an approach that deploys rather than sidesteps the British justice system. That means the greater use, when necessary, of the threshold test to prosecute when evidence is not available but is in the pipeline. It also means lifting the ban on intercept evidence, coupled with a more proactive use of plea bargaining, to increase the number of convictions, as well as the conviction rate, especially in cases involving wider conspiracies or joint criminal enterprise, as it is commonly known. Above all, however, it requires a change in the professional culture of this country's intelligence and law enforcement authorities. That would be in line with the approach in other common law jurisdictions, most notably the US, where pre-charge detention is limited to two days. That is the way in which we can fight terror while defending our historic freedoms in this country.

I will support the order. I recognise that the Home Secretary needs time to examine these difficult issues further, but in the absence of convincing new evidence, I will be inclined to oppose renewal in six months' time.

4.43 pm

Dr William McCrea (South Antrim) (DUP): Existing counter-terrorism legislation allows the police, in specific circumstances, to arrest individuals who are reasonably suspected of being terrorists. Once arrested, those suspects may be detained without charge for up to 28 days, which allows the police to obtain, preserve, analyse and examine evidence for use in criminal proceedings.

I must confess that, having listened to the debate, it seems that several hon. Members think that we are still living in a cosy country and a peaceful world, and that they are oblivious to the serious threats that we face. The reality is very different. A significant threat from Islamic terrorism remains, while dissident republican organisations endeavour to increase their capacity for murder and mayhem. I believe that we need measures that reflect the threat against our people.

Mr Geoffrey Cox (Torridge and West Devon) (Con): Will the hon. Gentleman give way?

Dr McCrea: I have little time and I want to complete the few remarks that I believe need to be put on the record.

On 7 July 2005, the attack on London's public transport system surely reminded us that there is a vicious and evil terrorist threat against the United Kingdom. In the House the other day, I said that the Government's first responsibility is to protect the law-abiding community, and that every tool must be available to the security services to ensure that that priority is achieved. I believe that the House and the country must come to terms with reality. We must make up our minds what the primary objective really is. Terrorism—no one knows it better than the people of Northern Ireland—is an evil in society, and society must face the evil.

There is nothing beautiful about terrorism and there is no excuse for terrorism. The idea that somehow 28 days of detention gives terrorists an excuse to attack the people of the United Kingdom is despicable. Terrorism is ugly, unacceptable and despicable, and it must be faced. We in Northern Ireland endured the curse of terrorism for more than 30 years. To be frank with the House, many were happy to appease the terrorists as long as terrorism remained in Northern Ireland and did not come on to the mainland. Some thought that appeasement was a price worth paying. Terrorism destroys the liberty and the freedom of a people. It destroys the freedom and the liberty of the innocent, and I fear that some are about to make the mistake of the past. I do not wish for any person to be detained any longer than is necessary.

The statistics that the Home Secretary has brought to the House today prove that the legislation has not been abused, and therefore people have not been abused, because the figures tell us that the legislation that has been in place with the 28-day provision has been used both sensitively and responsibly. As I have said, I do not wish anyone to be detained for any longer than necessary, but I would leave it up to the security services to advise on the issue, rather than allow political expedience to meddle with things or to muddy the waters.

It is interesting to notice that the major party of the coalition Government, when it went to the electorate, did not mention 14 days in its manifesto. It did not mention changing the 28-day period. The only party that did mention it was the Liberal Democrat party, which is not surprising. However, on previous occasions, my right hon. and hon. colleagues received security briefings on this important issue and were guided thereby. Therefore, will the Home Secretary clarify what advice she has received on the current 28-day detention period?

Over the years, we in Northern Ireland have been inconvenienced. We were frustrated on many occasions and at times we were angry at the use of powers, but whenever our lives were preserved from the terrorists' bombs, we were very thankful. We were very appreciative of what the security forces did to preserve innocent life and the freedom of law-abiding citizens.

When we talk about what we want to hand on to the next generation, I suggest that the fundamental responsibility of the House is to hand on freedom. We can have a peace at any price, but we cannot have

freedom at any price. As I have said, at times we have been angry, but our lives were preserved. We fail to thank the security services for the numerous times they have saved us from disaster, but many times we are quick to condemn them and complain about them when they do not get it completely right. The measure before the House and the 28-day period is appropriate, bearing in mind the terrorist threat that the United Kingdom faces, and I trust that the House will approve the order accordingly.

Several hon. Members *rose—*

Mr Deputy Speaker: Order. Under the Standing Order, this debate closes at 14 minutes past 5. I shall call the Home Secretary at nine minutes past 5—*[Interruption.]* Even later than that? I thank the Home Secretary for that, but could Members please restrain themselves?

4.50 pm

Dr Julian Huppert (Cambridge) (LD): Thank you very much, Mr Deputy Speaker. I shall try to be brief.

Our coalition Government agreed to restore the ancient civil liberties that should be synonymous with our country, and it is to Labour's eternal shame—with a few honourable exceptions, many of whom I am glad to see in their places—that it did so much damage to our country's name and to our civil liberties. I congratulate the Home Secretary, as I did yesterday, on the review, which represents excellent progress, but my hon. Friend the Member for Carshalton and Wallington (Tom Brake) and I pressed her on 28 days, because that is important. Labour's 90-day efforts, which were resisted, have become one of the party's totemic issues, and I welcome the Home Secretary's aims to reduce the period to 14 days. However, I do not agree that we need to wait six months before we get on with it. We should allow the 28 days to lapse and default to 14 days while the review goes ahead.

Let us think about the 28-day period. It means 28 days without being told what someone is accused of. Is that proportionate? How does it interact with the concepts of being innocent until proven guilty and habeas corpus? Then there are the effects on people's lives afterwards, if, as often happens, they turn out to be innocent.

What about elsewhere? We have talked about the US, where the constitution provides for 48 hours. In Spain, which has faced terrorism, the limit is five days, and in South Africa it is 48 hours, against which I am sure hon. Members campaigned during apartheid. The shadow Home Secretary, whom I am pleased to see in his place, talked about Norway, but I hope that he is aware of how that country, under its Criminal Procedure Act 1981, allows only three days' detention, with an extension after the police have presented the charge. That is a critical difference, because after the charge has been presented we are into a very different space.

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): Is the hon. Gentleman aware that many of us voted for 28 days only because we saw it as a means of blocking 90 days? There was no consensus on our Benches for 28 days.

Dr Huppert: Indeed I am. I have followed the matter, and the hon. Lady is absolutely correct: 28 days was not the aim, but it was better than 90.

We have heard about those other countries, so are we saying that our police are worse than theirs? Do we think that our prosecutors are less good and our legal system less effective? I do not think so. We have excellent police and prosecutors, and an excellent legal system, so what makes us so different? What message about our attitude to civil liberties does the measure send not only to our citizens, but to those of other countries, who used to look on us as a beacon of civil liberties but have been sadly let down?

Ian Paisley (North Antrim) (DUP): Does the hon. Gentleman not read the monitors, when he walks into this building every morning, that remind him why we are different? The threat level is severe and remains severe, and, although he might wish to play cricket with terrorists and give them a sporting chance on this issue, he is playing Russian roulette with the lives of this nation's citizens.

Dr Huppert: I find it disappointing that the hon. Gentleman takes that line. We are not alone in facing the threat of terrorism. Other countries have faced it and had issues to deal with, and they have done that in much better ways.

We have alternatives, and other countries clearly manage. We have the threshold test, to which my right hon. Friend the Member for Haltemprice and Howden (Mr Davis) referred. It states that, when there is not enough information, it is possible to proceed with a charge if there are reasonable grounds to think that we will get more evidence, the case is serious and there are grounds to object to bail.

Jim Shannon (Strangford) (DUP): Will the hon. Gentleman give way?

Dr Huppert: I ought to save time.

If that is not the case, then we should not be holding people for 28 days anyway. How can we defend a month?

We also have the Civil Contingencies Act 2004, which gives powers in extremis, and I know that the Home Secretary and other hon. Members are aware of that.

We do face a serious situation, and we do need to have the right tools to combat terrorism, but 28-day detention without trial is not the right one. It causes too much collateral damage in its effect on our civil liberties and the message that we send to others who might be considering such issues and those who look up to us from other countries. I urge hon. Members to reject 28 days.

4.54 pm

Keith Vaz (Leicester East) (Lab): It is a pleasure to follow the hon. Member for Cambridge (Dr Huppert), who is the newest member of the Home Affairs Committee. I can recall that of the Committee's 38 reports, 37 were unanimous; the discussion and inquiry that we held on pre-charge detention was the only one on which the Committee divided.

We have had some very odd couplings, if I may put it like that, today. We had the Front Benchers—the Home Secretary and the shadow Home Secretary—agreeing, and then we had the right hon. Member for Haltemprice and Howden (Mr Davis) and my hon. Friend the Member for Walsall North (Mr Winnick) agreeing. I thought for

[Keith Vaz]

a moment that the hon. Member for Esher and Walton (Mr Raab) was going to vote against the order until the last few seconds, when he gave the Home Secretary the benefit of the doubt.

This is a very important debate. Of course, the mood is different from that of the last debate, although there is a huge amount of passion. I came into this Chamber with a determination to vote for the order, but I am going to vote against it because I do not think the case has been made. I have been swayed—I know that this is very unusual for a Member of this House—by the speeches that I have heard. I am impressed by the integrity of my hon. Friend the Member for Walsall North, who has campaigned long and hard on this issue, and by the fact that the right hon. Member for Haltemprice and Howden resigned and fought a by-election on it. I also remember the speech made by the hon. Member for Foyle (Mark Durkan) during the last debate, which was pretty passionate. That is not to dismiss anything that we have heard from others who obviously make very important points.

Jim Shannon: Does the hon. Gentleman agree that we need 28 days for two reasons: for the ongoing verbal investigations and for the forensic part of the evidence? It is not like the "CSI" programmes on TV. A person is not convicted in 60 minutes—28 days are needed to do that. It helps to remove the more volatile members of the community and to ensure that innocent people are protected.

Keith Vaz: I understand that; it is exactly the point that Ian Blair, now Lord Blair, made to the Select Committee. However, as we have heard today from the Home Secretary, this power has not been used very often. I am sure that she was in the Chamber when the Attorney-General spoke on the issue—it was one of the best speeches that I have ever heard here—and opposed what the last Government were going to do. To be perfectly frank, if one has a power that one does not use, why have it?

It is important to consider who supported the longer detention period. Only the police came before the Committee and said that they supported it. Ken Macdonald—now Lord Macdonald—who is conducting the review had no reservations when he was Director of Public Prosecutions, but had reservations after he ceased to be DPP. He brought those reservations—

Mr George Howarth (Knowsley) (Lab): Will my right hon. Friend give way?

Keith Vaz: I will not, because time is very short and I know that lots of people want to speak. I have great admiration for my right hon. Friend—oh, all right, then.

Mr Howarth: I am grateful to my right hon. Friend for reluctantly giving way. Does he recall that when those debates were going on, the claim was never that these powers would be used frequently, but that they might be necessary in very exceptional circumstances?

Keith Vaz: My right hon. Friend is right, but we now have the facts and some evidence that we did not have before. The hon. Member for Esher and Walton mentioned the security services. The security services have never said, on or off the record, that they wanted an increase in the detention period. When they met the Select Committee, they were very clear that they were not taking a position on this, and that was echoed in the statements made by the head of MI5. In their view, it was a decision to be made by politicians.

My next point concerns the impact on the community. I listened to what my right hon. Friend the shadow Home Secretary said, and I have great admiration for him. However, I do not believe that the so-called independent research conducted by officials at the Home Office—or consultants, or whoever did it—truly reflects the views of the community. This matter impacts on the community, and that includes the ethnic minority communities of this country, specifically the Muslim community. There was huge disquiet about these powers being sought by the last Government. I have 10,000 people of the Muslim faith in my constituency; others have more. It was not only the Muslim community but the entire ethnic minority community that was concerned, although they may not have wanted to relate their views to consultants for a research document.

The Home Secretary is coming before the Select Committee tomorrow morning—I hope she has not forgotten, because we are all turning up and it would be terrible if she were not there—and we will of course probe her about her review. I am sure that she will deal with all the points that we raise in the competent way she has done since becoming Home Secretary. However, in answer to the hon. Member for Perth and North Perthshire (Pete Wishart) she said that she was personally in favour of 14 days. She had me until that point. If she believes that 14 days is the right limit, how can she come before the House and ask for 28? On that point alone, and having been convinced by right hon. and hon. Members, I will vote against the motion.

5 pm

Mr Aidan Burley (Cannock Chase) (Con): In the light of the time left, you will be delighted to know, Mr Deputy Speaker, that rather like the last Government in their dying days, I have adopted a policy of slash and burn to the speech that I was going to make.

If the counter-terrorism review states that the limit should be reduced, I and this Government would support that. I would personally welcome a move towards liberty and away from the Big Brother state that grew up under the last Government. Having listened to the debate today, I am afraid the matter is not as simple as saying that the limit should be 90 days, 40 days, 28 days, 14 days or 2 days, as in Australia. Maybe 14 days is the correct amount of time, but what about extreme, complicated or international cases? For me, any decision taken before the review would by definition be arrogant, hasty and uncalled-for.

Consultations and reviews are not simply box-ticking exercises, although they often had a habit of becoming so under the last Government. They are there for a reason. There are big decisions that need grown-up, thought through answers, and they need decisions in this House that result in laws that do not need to come back to the House constantly to be amended, fixed and adjusted. Earlier, the question was asked, "Why do we not just say 14 days?" For me, that is precisely the point.

The Government are trying to search for the best results, not just the best headlines. That is why we do not just say 14 days.

Sometimes, like good tea, good whisky and good coffee, good laws take a little bit of time to produce. An extra six months is not perfect, but nor is it permanent, and it is purposeful. Within that time, the counter-terrorism review will have published its opinion, taking into account the issues that have been debated this afternoon such as encryption, the complexity of some extreme cases and how to avoid the abuse of powers. I, for one, look forward to voting then for a good, well thought through and well worked out law that is based on what is best for the country and for the people of Britain.

5.2 pm

Yasmin Qureshi (Bolton South East) (Lab): Before I came to the House I practised as a criminal practitioner for about 20 years, both prosecuting and defending. I know that some Members, and some other people in the country, are perhaps not convinced by the civil liberties argument on 28-day detention. They ask why we should provide protection to people who want to commit criminal offences. Instead of the civil liberties perspective, I wish to give a practical one—do we, the police or the law enforcement agencies actually need a 28-day limit?

Members should be aware of the type of evidence that the police gather, especially when monitoring terrorists or people they believe are going to be terrorists. There is intrusive surveillance, with probes in people's homes and cameras outside them. Every single text or e-mail they send is recorded by the intelligence services, who also keep every phone call they make. Are Members really telling me that with all that evidence before them, they still need 28 days to interrogate people in a police station?

As someone who has dealt with anti-terror cases and seen the evidence that comes in, and even taking away the civil liberties argument, I know as a practitioner that law enforcement agents do not need 28 days to interrogate people. They have all the information and evidence before them. As we know, guidance on the Regulation of Investigatory Powers Act 2000 allows for various surveillance methods and intrusions to take place.

5.4 pm

Jesse Norman (Hereford and South Herefordshire) (Con): I am a rather rare bird in politics—a Conservative defender of the Human Rights Act 1998, which I regard as the codification of 800 years of British common law.

Let me briefly draw attention to the previous Government's appalling record, which is perpetuated in the suggestion that there is an intrinsic tension between liberty and security. Security often relies on a clear understanding of the commitment of a Government and a nation to liberty. I massively welcome the emphasis of the new Government and the new Home Secretary on freedom, and the suggestion that the order is a temporary measure is most welcome. My right hon. Friend's personal commitment to 14 days is noted, and the freedom Bill, the crackdown on CCTV and the collection of DNA, and the extension of the Freedom of Information Act are all welcome.

Today is Bastille day. We should never forget that Edmund Burke rightly predicted that it would be followed by disorder, chaos and terror. It made him deeply unpopular at the time. However, on reflection, we now celebrate the day for recorded rights—not abstract, but recorded rights. They were developed in British common law, and the greatest of them is now in section 5 of the Human Rights Act. It is habeas corpus, as prefigured in article 39 of Magna Carta.

We must never forget that we are considering suspects—they have not been convicted of any crime. The Home Office has tools at its disposal that it did not have in 2006. It has the ability to question people post-charge, and to draw on new offences, especially training, preparation and dissemination in the context of terrorism.

I conclude with two questions. First, has thought been given to 21 days as an intermediate period between 14 and 28 days? Are there merits in that? Secondly, has adequate consideration been given to the use of the Civil Contingencies Act 2004 as an alternative to 28 days' detention? If we answer those questions, I am sure that we can make progress overall.

5.6 pm

Mark Durkan (Foyle) (SDLP): The right hon. Member for Haltemprice and Howden (Mr Davis) treated us to a medley of his greatest hits from previous debates, and the shadow Home Secretary performed his cover version of some of his arguments. However, let us remember that the main issues in previous debates were the threshold test, post-charge questioning and intercept evidence. It is important, in the context of the review and any decisions taken in six months if the order is passed today, that the House fully and properly understands those issues.

We were told earlier that a senior person who dealt with counter-terrorism was not aware of the threshold test. Although it was not mentioned in the Home Secretary's announcement yesterday, I imagine that she is taking six months to conduct a review because she wants to roll the pitch on several issues so that, when the debate takes place, Opposition Front Benchers cannot accuse her of a knee-jerk reaction to the Lib Dem manifesto and she can show that any change has been on the basis of thorough review. I understand the tactic. However, I will vote against the order because I never believed on principle in 28-day detention. Like others, I found myself taken hostage and having to vote for 28 days because it was the only way to stop three months' detention.

Let us also remember that counter-terrorism measures can be—some have proved to be—counter-productive. Not only internment, but a host of counter-terrorism measures were counter-productive in Northern Ireland. The Democratic Unionist party advocated and cheerled many of them, which ended up assisting the terrorists, partly by alienating the community from the police and making the job of community policing hard and even impossible.

Sammy Wilson (East Antrim) (DUP): Will the hon. Gentleman give way?

Mark Durkan: No, because the Home Secretary needs time to wind up the debate.

In the previous debate, we were told about the comments of chief constables. I do not know the collective noun for chief constables, but they were all lined up in support

[Mark Durkan]

of 28 days. I assume that it will take six months to sort out their line and get them on a different course. However, I recall among the good contributions in previous debates about 28-day detention those of the now Attorney-General. He clearly signalled before the election his opposition to 28 days and said that the policy would be reviewed. It is therefore not true that only the Liberals made such a proposal.

As Opposition Front Benchers discover that they need to change their position on immigration, I appeal to them to wake up to civil liberties.

The Attorney-General (Mr Dominic Grieve): The hon. Gentleman is absolutely right. I suspect that my distaste for 28 days is shared by many, on both sides of the House. The question is how best to get rid of it and how best to ensure that in doing so, we have covered the contingencies so that we are seen to have acted responsibly. In that way, the line taken by my right hon. Friend the Home Secretary deserves support.

Mark Durkan: We hear what the Attorney-General says. He indicates that the motion is about positioning and lining things up.

Again, whoever is elected Leader of the Opposition to present a new, improved and restored Labour party next year must say that the party has gone back to its better instincts on civil liberties.

5.11 pm

Mrs May: In the time available to me, it will not be possible to mention all the speeches made in the debate. However, the debate has in many ways shown the House at its best. People have made thoughtful and serious contributions on the matter in hand. They spoke from the heart and passionately on issues about which they feel deeply.

I shall simply reiterate what I said in my opening speech. The proposal in the pre-charge detention order is for a temporary measure that will enable us to look again at the 28-day period of pre-charge detention, and at how to reduce it, during the review on counter-terrorism measures.

The hon. Member for Foyle (Mark Durkan) and the right hon. Member for Leicester East (Keith Vaz) challenged me on why I was not going straight away to 14 days, having said that that is my personal preference. The former is correct in thinking that we want to look at the matter in the round alongside other counter-terrorism legislation, and not simply pick it off and deal with it as one issue. I can tell the latter that it is my duty to this House and to the country as a Minister to look at such issues responsibly and to consider all the arguments, and not merely to say that my view should necessarily hold supreme. My views will inform my final decision, but it is right and proper for me to consider all the arguments before I take that decision.

Ian Paisley: Will the Home Secretary give way on that point?

Mrs May: I am sorry, but I have very little time left—about one minute—so I will not give way. I am sure that the hon. Gentleman will be able to find me afterwards if he wants to make a speech to me—*[Interruption.]* I can assure him that that was not a comment on the name of Paisley.

The order is a temporary measure to continue 28 days pre-charge detention for just six months. That enables us to look at pre-charge detention in the counter-terrorism review, and to find a solution that reduces the limit from 28 days while ensuring that the police have the powers they need to keep us safe from those out there who would wish us ill.

Question put.

The House divided: Ayes 354, Noes 47.

Division No. 24] **[5.13 pm**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Allen, Mr Graham
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barron, rh Mr Kevin
Barwell, Gavin
Bayley, Hugh
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Beresford, Sir Paul
Berry, Jake
Betts, Mr Clive
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunkett, rh Mr David
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Cameron, rh Mr David
Campbell, Mr Alan
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davidson, Mr Ian
Davies, David T. C. *(Monmouth)*
Davies, Geraint
Davies, Glyn
Davies, Philip
Dinenage, Caroline
Djanogly, Mr Jonathan
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Elman, Mrs Louise
Elwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, rh Mr Frank

Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Glindon, Mrs Mary
Goggins, rh Paul
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Hanson, rh Mr David
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendrick, Mark
Hendry, Charles
Herbert, rh Nick
Hillier, Meg
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, rh Mr George
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunter, Mark
Hurd, Mr Nick
Illsley, Mr Eric
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, rh Alan
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Graham
Jones, Mr Kevan
Jones, Mr Marcus
Kawczynski, Daniel
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Mann, John
Maude, rh Mr Francis
May, rh Mrs Theresa
McCartney, Jason
McCartney, Karl
McCrea, Dr William
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Metcalfe, Stephen
Michael, rh Alun
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murphy, rh Paul
Murray, Sheryll
Murrison, Dr Andrew
Nash, Pamela
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Nuttall, Mr David
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Paisley, Ian
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Pound, Stephen
Prisk, Mr Mark
Pritchard, Mark
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Robinson, Mr Geoffrey
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shannon, Jim
Shapps, rh Grant
Sharma, Alok
Sheerman, Mr Barry
Shelbrooke, Alec
Simmonds, Mark
Simpson, David
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Straw, rh Mr Jack
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Thurso, John
Timms, rh Stephen
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wilson, Sammy
Winterton, rh Ms Rosie
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Mr Shailesh Vara and Jeremy Wright

NOES

Abbott, Ms Diane
Ali, Rushanara
Clark, Katy
Corbyn, Jeremy
Crausby, Mr David
Danczuk, Simon
Davis, rh Mr David
Dobson, rh Frank
Durkan, Mark
Edwards, Jonathan
Engel, Natascha
Flynn, Paul
Gardiner, Barry
Gilmore, Sheila
Glindon, Mrs Mary
Godsiff, Mr Roger
Hilling, Julie
Hoey, Kate
Hood, Mr Jim
Hopkins, Kelvin
Hosie, Stewart
Huppert, Dr Julian
Jackson, Glenda
Keen, Alan
Lavery, Ian
Llwyd, Mr Elfyn
Lucas, Caroline
MacNeil, Mr Angus Brendan
McDonnell, John
Mercer, Patrick

Qureshi, Yasmin
Robertson, Angus
Rotheram, Steve
Sanders, Mr Adrian
Sarwar, Anas
Shepherd, Mr Richard
Shuker, Gavin
Skinner, Mr Dennis
Soulsby, Sir Peter
Umunna, Mr Chuka
Vaz, rh Keith
Weir, Mr Mike
Whiteford, Dr Eilidh
Williams, Hywel
Williams, Mr Mark
Winnick, Mr David
Wood, Mike

Tellers for the Noes:
Pete Wishart and
Mr John Leech

Question accordingly agreed to.

Resolved,

That the draft Terrorism Act 2006 (Disapplication of Section 25) Order 2010, which was laid before this House on 24 June, be approved.

European External Action Service

[Relevant document: The Eighteenth Report of the European Scrutiny Committee, Session 2009-10, HC 5-xvii.]

5.27 pm

The Minister for Europe (Mr David Lidington): I beg to move,

That this House takes note of European Document Nos. 8029/10 and 11507/10, draft Council Decisions establishing the organisation and functioning of the European External Action Service; European Document No. 8134/10, draft Regulation on the Financial Regulations for the European External Action Service; and an unnumbered draft Regulation amending Staff Regulations of officials of the European Communities and the conditions of employment of other servants of those Communities; and supports the Government's policy to agree to the Decision establishing the External Action Service at the Foreign Affairs Council in July 2010.

It was the European Scrutiny Committee which, during the last Parliament, called for a debate on the measures to establish the European External Action Service. I am pleased to have the opportunity to update the House on recent developments, and to give Members on both sides of the House a chance to debate this important issue.

The EEAS was established by the Lisbon treaty, which came into effect last year. As the House will know, my party did not support either the treaty or the creation of the EEAS, but, as my right hon. Friend the Foreign Secretary told the House in June this year, the EEAS is now a fact. The challenge for the Government has been, and remains, to help to shape the service so that it both respects the competence of member states over foreign policy, and at the same time provides for a more cohesive and effective diplomatic voice for the European Union collectively on issues on which the EU, speaking as a whole in support of an agreed common position, carries more clout than member states acting on their own.

Philip Davies (Shipley) (Con): What will happen on the many occasions when the United Kingdom is on a completely different page from the European Union, which seems to be the case more and more frequently? Will the EEAS be making proposals with which this country vehemently disagrees?

Mr Lidington: If the High Representative, Lady Ashton, and the EEAS are to represent a common EU position on an aspect of foreign policy, they can do so only on the basis of a foreign policy mandate that has been approved unanimously by all 27 member states. We have the safeguard that if the United Kingdom wishes to exercise a right of veto and prevent a common position from being reached on a particular aspect of foreign policy, that power remains with us.

Philip Davies: I do not wish to delay the Minister unduly, but I do not understand for the life of me why he has so little faith in British ambassadors' ability to represent this country's opinions, given that presumably the diplomatic services of other countries are perfectly capable of representing those countries' views.

Mr Lidington: My hon. Friend misunderstands me if he thinks I have any lack of confidence in the capabilities of our network of ambassadors and high commissioners around the world, but it is the Government's judgment

that there are areas where it makes sense for the 27 member states of the European Union to speak with one voice if they can. Later in my speech I will give some examples of where I believe United Kingdom national interests have been well served by such a common approach.

Mr Peter Bone (Wellingborough) (Con): That seems to be a change of policy from when the current Foreign Secretary was on the Opposition Benches, when he said exactly the opposite.

Mr Lidington: I know that my hon. Friend has adopted a position that is profoundly sceptical not only of the EEAS but of Britain's membership of the European Union and of the EU as a whole, but I must tell him that the key difference between then and now is that the treaty of Lisbon has been ratified by all 27 member states of the EU, and it is therefore now in force as a matter of both European and domestic law. As our right hon. Friend the Prime Minister made clear at the time when ratification was completed, that alters the terms of trade, and we as a party agreed while still in opposition that if we formed a Government we would work within that new basis established by the Lisbon treaty.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): I too am a huge respecter of British ambassadors, but the last thing I would want them to do is design development programmes, which was at one stage the suggestion for the role of the EEAS. Negotiations shifted that position, but can the Minister give the House any further information now as to whether there is clarity yet about who will have responsibility for the programming of development spending?

Mr Lidington: Yes. In the division of duties set out in the decision we are debating this evening, the EEAS and the High Representative will have responsibility for strategic decisions about the priorities of the EU's development programme, but the Development Commissioner and his team within the Commission will remain responsible for the design and implementation of particular development programmes.

For this to work effectively, there clearly needs to be a meeting of minds between the High Representative and the Development Commissioner. Certainly when I have discussed this matter both with Baroness Ashton and with the Development Commissioner—whom I met in Brussels last week—they were both very confident that the package that has been agreed provided for a sensible division of responsibility, and also that the transfer to the EEAS of a number of staff working in the Commission on development would give the EEAS the expertise in development policy to enable it to take those strategic decisions.

I have to say to the hon. Member for Harrow West (Mr Thomas), however, that this is one area where the British Government continue to have reservations about the final package. We would have preferred a slightly larger shift of people with development expertise into the EEAS to make certain that it had the required expertise, but the two people most directly responsible for implementing this policy seem to be satisfied with the measure in its current form.

Mr Tobias Ellwood (Bournemouth East) (Con): My hon. Friend mentioned Baroness Ashton, which reminds me that there was a big fanfare when the positions of EU President and Foreign Minister were announced, to the point where the Labour Government at that time said that when these characters visited London they would stop the traffic. On the numerous occasions when either of them has visited London, have there been any congestion issues?

Mr Lidington: I can assure my hon. Friend that, based on the various conversations I have had with Baroness Ashton in the past few weeks, she has no wish whatever to interfere with the free flow of London traffic. It is a good sign that the High Representative, who is now assuming her office, is someone who is focused on practical action rather than on glitz, glamour, motorcades and red carpets. That is an important difference between her approach and the approach that a possible alternative candidate might have adopted. [HON. MEMBERS: "Name him!"]

I believe that the political agreement reached between the High Representative and the European Parliament about the structure and accountability of the EEAS provides the safeguards the British Government were seeking, particularly those we sought on the competence of member states over foreign policy. That was no mean achievement, for we need to be clear about one thing. Those who argued that the ratification of Lisbon would somehow automatically bring an end to turf wars between different European institutions, or that it would satisfy the ambitions of those seeking to replace national with supra-national control over foreign policy, were plain wrong in those assumptions.

The European Parliament demanded to be given a much greater say over the running of the EEAS. In particular, it wanted the right to hold hearings on the appointment of heads of EU delegations; it wanted the appointment of political deputies to the High Representative; and it even sought to make the entire EEAS part of the Commission. The Commission sought for itself an extensive representational role. Others wanted to extend the remit of the EEAS to include the provision of consular services.

Had these proposals been accepted, they would have added up to a major encroachment by both the European Parliament and the Commission into areas of policy that are, as set out in the treaties, clearly the responsibility of member states. We, working with France and other countries that shared our view that the EEAS should be led by the member states and should not be under the thumb of the European Parliament, successfully resisted those proposals. As a result, the draft decision we are debating this evening is a framework that respects British foreign policy objectives and allows us to establish an external action service that does not replace national diplomatic action, but can complement and add value to it. As article 3.1 of the draft decision says, in terms:

"The EEAS shall support and work in cooperation with the diplomatic services of the Member States".

The EEAS does not mean a big new role for the EU in international affairs or shifts in competence; indeed, we will very carefully police any claims or action to the contrary.

Mr James Clappison (Hertsmere) (Con): My hon. Friend is making a very good case, and I speak as somebody who is not in favour of British withdrawal

[Mr James Clappison]

from the European Union and who recognises, in the words of my right hon. Friend the Foreign Secretary, that we are where we are. However, I hope that my hon. Friend is not advancing the case that because we have obtained one or two safeguards in relation to the construction of the EEAS, that invalidates the principled objection that we maintained throughout the treaty of Lisbon proceedings to both the creation of the EEAS and the position of the High Representative. We are just mitigating the damaging consequences, are we not?

Mr Lidington: I am certainly not resiling from anything that I or my right hon. Friend the Foreign Secretary said when we were speaking from the Opposition Benches. But as my hon. Friend has acknowledged, we are in the legal and constitutional position in which we find ourselves, and in those circumstances I believe it to be the duty of the Government of the United Kingdom to fashion the best way forward we can, in alliance with like-minded member states, to provide the maximum possible safeguards for the freedom of individual European nations to act in pursuit of national interests when it comes to foreign policy.

Neil Parish (Tiverton and Honiton) (Con): Whatever the rights and wrongs of the Iraq war, would it not have been an interesting situation if the High Representative had been in place and had been trying to represent the whole of the European Union at that time, because different countries were taking very different positions? I would like the Minister to spell something out. When the High Representative is going around the world putting a particular slant on a European policy that we oppose completely, how are we going to make sure that we can tell the world, and a particular country, that we have a position different from that of the European Union?

Mr Lidington: I am grateful to my hon. Friend for that question, because he brings me to the next passage in my speech. The important point is that the EEAS will have two key functions, the first of which is to speak on behalf of a common position on foreign policy agreed unanimously by the Council and embodied in a mandate given by the Council to the High Representative. So in the case of Iraq, or any comparable foreign policy issue where member states were divided, that unanimity—and hence that mandate—would not exist. Therefore, the High Representative and the EEAS would not be entitled either to speak or to act in the way that my hon. Friend fears.

The second responsibility of the EEAS is to support the Commission in implementing the external aspects of policies over which the Commission already, under the treaties, has competence, such as international trade. The fact that the High Representative is now, in effect, wearing two hats, whereby she is accountable to the Council for common foreign and security policy decisions but also works as a Commissioner on those matters that are properly the responsibility of the Commission, means that we have the potential for a rather more cohesive international engagement by the EU than has previously been the case. The Government would like this new institutional arrangement to complement our own commitment to an active British foreign policy and help to deliver the diplomatic objectives of the United Kingdom.

Michael Connarty (Linlithgow and East Falkirk) (Lab): I welcome the Minister to the Dispatch Box for the first time when I have been in the Chamber. I believe that Labour went through eight Ministers for Europe, so he may have a longer tenure than some of ours; I am sure that he will do his best. Just for the record, when we sent this document for debate before the election there was, as he mentioned, a bid from the European Parliament for three deputies—I believe it calls them secretaries-general—and hearings. Could he explain to the House exactly what the final agreement was on the accountability of the EEAS to the European Parliament? I note that this has all gone through and been rubber-stamped by this Government, without this Parliament having a European Scrutiny Committee to ask them to make themselves accountable to their Parliament. So nobody knows what the Minister agreed when he went to Europe.

Mr Lidington: I regret the fact that the European Scrutiny Committee in the Commons has not yet been re-established, so there has not been the opportunity for a debate within that Committee before the House as a whole was invited to take a decision. I took responsibility for deciding that the best way forward in the circumstances was to make provision, through the usual channels, for a debate on the Floor of the House, so that all Members had the opportunity to debate this matter before the recess. Had we delayed bringing this forward for debate until the autumn, there would have been at least equal cause for complaint on the part of right hon. and hon. Members.

The hon. Gentleman asked me about the accountability of the EEAS to the European Parliament. It will be accountable in financial terms to the European Parliament, in the same way as other organisations within the EU are accountable for the way in which they spend European Union money. The High Representative is going to make verbal reports to the European Parliament at regular intervals, but she is not accountable to it in policy terms, nor will it have the right to vet, or hold the equivalent of confirmation hearings on, the appointment of heads of EU delegations to various capitals around the world.

Mr Ellwood: I am pleased to see my hon. Friend in his place and starting to scrutinise EU legislation in a way that we have not seen before, rather than taking the tick-box approach that we saw from the Labour party. Concerns are expressed on both sides of the House about the duplication in the EU. It still has two Parliament buildings, it has a European Defence Agency that tries to mimic what NATO does, and it is still trying to build a satellite system, Galileo, which duplicates the free global positioning system operated by the United States. Will my hon. Friend ensure that he keeps the EU's ambitions in check, that there is a threshold for how far European countries can come together and work together, and that there is clarity about where that stops and sovereign power takes over?

Mr Lidington: My hon. Friend invites me to trespass on some policy areas that are properly the responsibility of other Government Departments, but I will not be tempted too far in that direction. The Government are collectively committed to seeking the greatest possible value for money from every part of the European Union organisation and to ensuring that pressure from within European Union institutions to extend competence

is resisted. I hope that my hon. Friend will be reassured, too, if I repeat to him now that it is the Government's intention later this year to introduce legislation, as promised in the coalition's programme for government, to require a referendum and a vote by the people of the United Kingdom before any future treaty change that transfers further powers from this House to European institutions.

Michael Connarty: In keeping with what has been called the "tick-box approach"—an approach that won the European Scrutiny Committee the inquisitor of the year award, which has never been won when a Conservative has held the position of Chair—I want to point out that the Minister has not answered the question. The bid from the European Parliament was to have three deputy secretaries-general from each of the political parties in the European Parliament who would substitute for the High Representative. What happened to that bid?

Mr Lidington: That proposal did not succeed. The position on deputising when the High Representative is absent will depend very much on the area of competence involved in that meeting. The High Representative will have three options. She will be able to appoint a senior member of her official team, once that team is in place, to speak in her place. She will be able to ask a fellow commissioner to represent her when the item being discussed is something that properly under the treaty falls to the competence of the Commission. When it comes to a matter to do with foreign or security policy, she is also free to invite the Foreign Minister of a member state to act on her behalf. I hope that I am not breaking some confidences if I say that she is already making good use of that last option. She has asked the Foreign Minister of Hungary to stand in for her at a forthcoming meeting between the EU and the Association of Southeast Asian Nations. We have an example there of member states being seen to be clearly in the driving seat and of powers not simply being ceded automatically to the supranational institutions.

Dr Thérèse Coffey (Suffolk Coastal) (Con): I am concerned about value for money. I am surprised that the European Union will be able to achieve the development of the EAS on the basis of budget neutrality, unless it has already put in a massive budget. I am also concerned about the duplication that has already been mentioned. Will my hon. Friend assure me that we might even try to get a rebate if we do not need the EAS to do certain things on our behalf, including military planning, military missions and so on?

Mr Lidington: I was going to say more about the budget a little later in my speech. I hope that my hon. Friend will bear with me if I try to make some progress. I shall respond later to the points that she was making about the budget, and if she wants to intervene again I shall try to make time for her to do so.

In response to what my hon. Friend the Member for Shipley (Philip Davies) said, I want to give a couple of examples to illustrate that it is possible for the new institutional arrangements to complement an active British foreign policy. The first example concerns political stability in the western Balkans, which is incomplete and fragile. The Government strongly believe that it is in the United Kingdom's interests to have political stability, human rights and the rule of law entrenched in that part of our continent, but that is not a goal that the UK can secure on its own. It is not an exaggeration to say that the situation in the western Balkans is a litmus test of any EU aspiration to take on an effective diplomatic role. We hope that the EAS will make the Balkans one of its highest priorities and that the new institutional arrangements will make it possible to pursue our common objectives with greater cohesion and consistency than was possible before.

My second example is the threat to maritime trade and the safety of voyagers posed by pirates operating off the coast of Somalia. Already, the different arms of the EU are beginning to work more effectively together: security is a member state and Council responsibility, but development falls to the Commission. The new arrangements maintain the focus on poverty alleviation, but better co-ordination within the single framework of the EAS makes it possible to get development money spent on building new prisons in Kenya to incarcerate pirates, which helps us to achieve our shared security objectives. If the EAS works effectively, the bringing together of the Commission and Council arms of EU external policy under the aegis of the High Representative, instead of their remaining in separate institutions as now, ought to make it possible to achieve a more joined-up policy in tackling other challenges, such as Afghanistan and Kosovo.

The EAS is not going to be some kind of elixir to cure all diplomatic ills and we have to be realistic about what it can achieve. It will be able to act only where there is a common position, as the High Representative can advocate a foreign policy position only on the basis of a unanimous mandate from the Foreign Ministers of member states. As the example of Iraq, which my hon. Friend the Member for Tiverton and Honiton (Neil Parish) cited, illustrates, there are no institutional solutions to problems that, at root, require both political will and consistent, shared views.

The High Representative has made a very good start to her challenging role. She has an impossible job—almost three jobs, in fact: High Representative, British Commissioner in Brussels and chair of the Foreign Affairs Council. She has been criticised for not being at two different ministerial meetings that were held in two different countries at the same time, but that seems more than a little unfair. I am told that she has 400 days of appointments in the year, and she does not yet really have a proper department to help her. The Conservatives wished her well when she embarked on her task and my right hon. Friend the Foreign Secretary and I are already working closely with her.

Mr William Cash (Stone) (Con): My hon. Friend has touched on a number of the difficulties for the High Representative in terms of timing and her programme. Does she not have another problem in that some of her functions are based on democratic decision making, such as those in the Council, while others are based on her role in the Commission, which is an undemocratic function, and others still involve a kind of quasi-democracy? Does he acknowledge that that is likely to create a great deal of confusion and uncertainty and that it could cause considerable damage to the clarity that is needed in the very complicated and extremely dangerous world that we now inherit?

Mr Lidington: Those differences in competence exist already in the structure of European external policy that is being replaced by the EAS. I have been impressed by the High Representative's determination to address seriously the problems that my hon. Friend identifies. He is correct to warn of the risk that the creation of the EAS will be taken by some as an opportunity for competence creep and to establish a more active and ambitious role for supranational European institutions than was envisaged when the EAS was set up or than is provided for in the treaties. The assurance I give him is that the British Government are absolutely determined to ensure that the rights and competences of member states are fully respected, not just by the High Representative, but by every other institution that forms part of the European Union.

Mr Bone: Will my hon. Friend give way?

Mr Lidington: If my hon. Friend will allow me, I want to make some progress, although I will try to give way again a little later.

We are content for EU delegations to take on some representational roles, when we want them to do so and have mandated them to do so. Supporting the EU in having enhanced rights in the UN General Assembly is a good example. We want the High Representative to be able to do what the rotating presidency used to do: to speak and act in support of an agreed common position. The Foreign Secretary explained that policy in more detail in a written ministerial statement earlier today. If the General Assembly agrees, the High Representative will have the rights necessary, and no more than the rights necessary, to fulfil the representational role previously carried out by the rotating presidency. That includes the right to speak after the member states have spoken, but not the right to a seat among individual UN members and certainly not the right to vote in the General Assembly. These arrangements will not give EU delegations enhanced rights in United Nations agencies or in other international organisations.

The Government will judge any further proposal for the EU to act in a representative capacity case by case and on its merits. Critically, we will take a view on whether such a move would help to achieve British interests and whether any proposal would compromise the lead role for member states over foreign policy that is explicitly provided for in the treaty.

Some bodies, including the Commission and some of the smaller member states, want EU delegations to take a greater role in representing EU positions around the world than we think is either desirable or legally consistent with the treaty. Those ambitions are not secret. For example, the Commission has made it clear that it wants EU delegations to take over responsibility to act not only on policy areas where there is clear EU competence, but on those areas where competence is shared by the EU and member states, even if competence has not been exercised at EU level previously. In our view, such a move would not be acceptable. I have written to the Chairs of the two Scrutiny Committees today to highlight that risk and to make it clear that the Government will be vigilant to defend the interests and treaty rights of not only the United Kingdom but all member states.

The initial EAS decision was taken by the Council on 26 April, after negotiations between Lady Ashton, the European Parliament and the Council. The European Parliament voted overwhelmingly in favour of the draft decision very recently. Subject to the views of the House and other national Governments, the General Affairs Council of 26 July should be in a position to adopt the decision. Agreement on the accompanying changes to the staff and financial regulations will follow in the autumn, and Parliament will have the opportunity to scrutinise those later measures.

I should add a word on the staff. In his speech on 1 July, the Foreign Secretary emphasised the need to increase the number of UK nationals in European institutions. The establishment of a new service gives us an opportunity to promote British officials right from the start, and we have a large number of British diplomats with an interest in moving across to the EAS for part of their career. Staff in the institutions are independent, but we all know that different nationalities bring different perspectives, and we need more people with a British outlook to help to secure the UK interest for the long term. Our starting point in the EAS is good: already, about 8% of the staff of Relex—the Commission directorate that will initially form the bulk of the new service—are British; they are concentrated at the more senior levels and include about a quarter of the directors.

James Morris (Halesowen and Rowley Regis) (Con): On value for money, will my hon. Friend indicate the cost and resource implications of the further staffing of British diplomats in the European Union as a result of setting up the new institution?

Mr Lidington: Before I respond directly to my hon. Friend, I should add that there will be intense competition for appointments, which will quite rightly be made on merit. However, we are determined to fight for a good share of the senior positions in the EAS because we think that we have first-rate British candidates to put forward.

We are clear that we do not plan to put aside extra money for the EAS in the long term. We accept that getting the service started and bringing in national secondees to serve alongside those who will transfer to the EAS from existing posts in the external service of the Commission or the Council will involve some additional start-up costs, for which we are planning. The additional cost for the United Kingdom is about £1.1 million, but that is before any calculation of the abatement is taken into account.

Mr Clappison: I think that the Minister is citing a written answer that he gave me. May I take him away from the EU accounting procedures with which some of us are familiar? The External Action Service will have 136 embassies. It already employs 700 staff—he looks puzzled, but that comes from a written answer that he gave me—and might have thousands more. Without talking about accounting manoeuvres or additional amounts, will he tell us the cost of those 136 embassies and the hundreds, if not thousands, of staff employed by the EAS?

Mr Lidington: My hon. Friend overlooks the fact that the EAS, as he describes it, will simply be the sum of existing EU missions and activities that already form part of the external work of the Commission and the Council, which are funded from within the existing EU budget. The British Government's objective is to ensure, despite the acknowledged additional start-up costs, that

we use the bringing together of disparate external functions to seek savings by eliminating duplication. The EAS budget is due for review in 2013; our objective is to ensure that by that stage we have got rid of what we intend will be a temporary spike due to start-up costs, and managed to achieve savings and better value for money. The EAS should be about the effective delivery of foreign policy, not new and expensive bureaucracy.

Mr Nigel Dodds (Belfast North) (DUP): The Minister did not answer the question posed by the hon. Member for Hertsmere (Mr Clappison) about overall cost. Will he give the House a guarantee that if there is to be any breach of budget neutrality, he and his Government will resist that by vetoing any increase above current expenditure?

Mr Lidington: We will certainly resist any further increase in current expenditure because we want maximum value for money from the EAS, as we do from every other arm of the European Union. I welcomed Baroness Ashton's pledge on 8 July that she would do everything possible

"to maximise cost efficiencies, avoid duplication and strengthen financial discipline."

She said:

"I want a lean and efficient Service that assures best value for money, staffed by the best and the brightest from across the European Union."

The Government worked hard to defend the national interest and did all that we could to ensure that the service continued to respect national competences and recognised the central importance of intergovernmentalism in framing the European Union's common foreign policy. Through a robust and pragmatic approach, we have secured a framework for the EAS that respects UK interests, that can strengthen and support national diplomacy, and that will not lead to additional costs in the long term. This is only the start, however, and we now need to work intensively with our European partners to make it a reality. I commend the motion to the House.

6.5 pm

Chris Bryant (Rhondda) (Lab): It is a great delight to follow the Minister for Europe and to be able to welcome the conversion of Aylesbury. I had not realised that Brussels was on the road from Aylesbury to Damascus, but clearly it is. There is more rejoicing in heaven when one sinner repenteth and joineth the pro-European cause than when the 99 stay over there. It is a delight to know that he has hidden his pro-European light under such a nasty bushel for such a long time. I was obviously tempted to think of ways of uniting with his Eurosceptic Back Benchers and finding a way of voting against the motion, but as half the papers have my name all over them and were negotiated by me, it would be a bit opportunistic, even for me, so the Opposition decided against that.

The Minister has a very fine Europe team in the Foreign Office to support him, and I would like briefly to pay tribute in particular to Kim Darroch, the UK's permanent representative in Brussels, who does an extremely fine job. The Minister also has fine support in his private office among those who work with him on European matters, so I am sure that he will do a very fine job. I think he suggested that Cathy Ashton had abandoned glamour, but I would gently say to him that that is a foul calumny on a very fine woman. However, I am glad that he is very supportive of the work that she is doing.

Mr Ellwood: Glitz.

Chris Bryant: I think that the Minister said glitz and glamour. Perhaps Cathy will defend herself.

The important point is that we have before us a slightly difficult process. I fully understand why it has been difficult for the Government to bring things before a European Scrutiny Committee, though I gently say that it would have been better to have had a European Scrutiny Committee in place by now. I gather that we will have a splendid cream-suited Chair, in the shape of the hon. Member for Stone (Mr Cash), but it would be good if we had a full Committee and if that were able to get on with its work as fast as possible. As the Minister will know, I was taking this business through the House at a difficult time in the run-up to the general election, and I tried as far as possible to keep the two Committees in the Lords and in the Commons informed about the process of the discussions that were going on at every stage. But the fact that we have now had several months without a European Scrutiny Committee does not enable this House to do the business of scrutinising these and many other decisions better.

I would just ask the Minister briefly, on the matter of the intergovernmental conference, which was not announced to the House and which was held in the margins of another meeting and agreed to by the Prime Minister without any announcement to the House, if he could at some point provide us with the minutes of that conference. They have not yet been available anywhere, either on EUROPA or in the Library of the House.

Mr Bone: I am interested that the Opposition will not seek to divide the House on this. Has not the shadow Minister just made a very good case of the fact that the House has not scrutinised the business properly? Would not that be a good reason to seek to divide the House?

Chris Bryant: I shall be voting on the substance of the matter, which I wholeheartedly support and, I have to say—this will come as a great disappointment to the hon. Gentleman—in words almost identical to those used by the Minister. No, I do not think it is a good reason to seek to divide the House, but if the hon. Gentleman wishes to, obviously he is free so to do.

The reason we support the European External Action Service, and have for some time now, is that we believe that we are moving, as the Foreign Secretary himself said earlier this year in a speech, into a much more multilateral world, where we cannot just accept that there will be two great powers—the United States of America and China. We have to make sure that our power, both exercised independently ourselves and through the European Union, is used to its best effect. We know that in relation to the emerging economies of China, Russia, India, Mexico and Brazil, it is all the more important that Europe takes a united stance if we are to achieve effective outcomes.

[Chris Bryant]

We also know that the EU's previous foreign relations structure has been grossly inefficient, thus an individual country has a desk officer for the European Council and a desk officer for the European Commission, and, on top of that, two different departments within the Commission might have desk officers. That is clearly a duplication—not the one to which hon. Members referred earlier, but one that we want to see done away with; and that is why we support the EAS.

Chris Heaton-Harris (Daventry) (Con): Will the hon. Gentleman give way?

Chris Bryant: Of course I give way to the honourable former Member of the European Parliament.

Chris Heaton-Harris: Should the EAS come into effect, how hopeful is the hon. Gentleman that, given the duplication that he just outlined, and not the duplication to which others referred, the Commission will actually shed staff?

Chris Bryant: The Commission does not have any choice, because the staff will be automatically moved into the EAS. The same applies to the Council. If each country approves the measure, through their parliamentary processes, the move will happen automatically, so I have confidence in the Commission. There are many areas where I do not have confidence in the Commission shedding staff, and where the hon. Gentleman is right to say that sometimes we have to ensure that it does not encroach on the powers of member states, but this is not one of them.

When I was Europe Minister, I tried to fight for some important principles. First, it was important to make it absolutely clear that the head of each delegation had full power over the whole delegation, because otherwise, in any individual deputation in any country throughout the world, different elements might compete against each other. Although Europe might have spoken with one voice, because it had established a single mandate, the individual delegation in that country might not. I am glad that we won that argument.

I am glad, too, that we won the argument to bring the politico-military structures, the civilian planning conduct and capability element, the crisis management and planning directorate and the EU military staff inside the EAS, because it would simply have been to duplicate and make the system more complex if we had left them outside.

I shall not take up much time, because I want to ensure that there is more opportunity for other Members to participate, but I must note two areas where, to be honest, I felt that I had to handbag the High Representative. Indeed, there were sharp words at April's General Affairs and External Relations Council. First, I do not believe that the EAS should set up consular services for every country in the European Union, and I was determined to ensure that the text that came out of April's Council made that absolutely and abundantly clear. I confess that the text that we ended up with—I am sure that all hon. Members will have read it—is slightly complex. Indeed, article 5(10) states that the Union delegation shall, acting in accordance with article 35 third sub-paragraph of the TEU, and upon request of member states, support the member states in their diplomatic relations and in their role of providing consular protection to union citizens in third countries on a resource-neutral basis.

Two elements of that are vital, but they sound misguided. First, "on a resource-neutral basis", means that no additional money should go into the EAS to provide consular services on behalf of other countries. Secondly, the reference to article 35 of the Maastricht Treaty on European Union, as I am sure the Minister knows, means that the circumstances in which the EAS can provide consular services are very closely constrained. The Maastricht treaty—under the provisions that John Major introduced, incidentally—makes it clear that where an individual citizen of any EU member state is in a third country and their member state has no representation, other member states can provide support. That happens fairly regularly. In countries where Britain has no representation, sometimes a British citizen will be supported by other EU members. It is also true that the services of other countries are provided to us. For instance, in Laos, where we have no representation, the Australians provide consular protection.

In our discussions leading up to April's Council meeting, I thought it very important to ensure that countries such as Estonia and Latvia, which would dearly love the EU to provide consular services and remove the power of member states to provide them throughout the world, should not see the measure as a great cash cow. While many in the room argued forcefully that we should be moving towards European consular services, I said that we would use the British veto if that proposal came forward. That is why we have the document that is now before us.

The next issue is budget neutrality. As I said, there has been considerable duplication in the system in the years thus far, whereby there are desk officers for the same country from different elements of the structure of the European Union, and that has been counter-productive. I am confident, with Cathy at the helm, that there will be a strong insistence on ensuring that those duplications do not survive, and that there is therefore no reason why the EAS should cost us more in the long term.

I note the Minister's optimism when he says that in the short term this will cost us only £1.1 million more.

Mr Lidington: I am sorry—the hon. Gentleman misheard me. I said that there would be about £1.1 million, not £1.1 billion, of additional costs for the United Kingdom.

Chris Bryant: I am sorry, but the Minister misheard me, because I said "million" as well. It is great to be able to be entirely of one mind.

However, my anxiety is more about the Minister's optimism than his numeracy. Pressures will inevitably come from other member states, many of which are going through the same process of retrenchment in their budgets and will find that that directly affects their foreign offices. When I was in the post that he now holds, I spoke to three of my counterparts, who talked about 50% or 60% cuts in their foreign offices. In many of those countries, there may well be a political pressure towards the European Union carrying out more of their foreign services, and he will rightly want to be very cautious about that. Throughout the whole process of

the treaty going through and the setting up of the EAS, it was our clear intention that we, Britain, should be able to fight our corner, but we also wanted the whole European Union in our corner. I very much hope that that is what this measure will achieve.

My final point relates to British staff in the EAS. Like the Minister, I hope that many diplomats in the Foreign and Commonwealth Office will want to work there. He said that many more suddenly want to go and work there; I do not know whether that is because they do not like working with him or because they are fearful of what is going to happen in the FCO. On a serious note, one of the complexities in trying to get British staff to work in any of the institutions of the European Union is that they often cannot see a path back. It is not only a question of whether British people speak foreign languages, but of whether they can see a career that takes them to Brussels and brings them back thereafter. I hope that at some point the Minister will be able to enlighten the House further on those matters.

I wholeheartedly support the motion in the name of the Minister and congratulate on him on his volte-face.

6.18 pm

Richard Ottaway (Croydon South) (Con): Like other Conservative Members, I am sceptical about the Lisbon treaty, but we are where are. We have the European External Action Service, and it is in Britain's interest that it at least works.

The Select Committee on Foreign Affairs has taken a close interest in the EAS, and I welcome this debate. It hardly helps that the negotiations have been taking place in Brussels when we have not had a European Scrutiny Committee. However, the Foreign Affairs Committee is grateful that the Government and their predecessors have co-operated with it in providing the information that it needed and, in that spirit, I hope that they continue to do so.

We are able to consider today's documents in advance of the Council formally giving its approval only because High Representative Ashton has spent the past three months negotiating with the European Parliament. I have to confess that having had a look at the documents, I am sceptical about whether the changes secured by the European Parliament amount to any major alteration to the likely functioning of the EAS. The Parliament largely won confirmation on a number of points that were either implied or explicitly set out in the Lisbon treaty or in the Swedish presidency report on the EAS adopted by the European Council last October. I note that the explanatory memorandum to the revised draft Council decision states that it "respects the essentials" of the proposals on which the Council reached political agreement in April. Under the circumstances, I congratulate the Government on resisting a number of demands regarding the EAS that would have been very unhelpful from a British point of view.

Chris Bryant: Actually, some of the most significant changes happened some time before. In particular, the battle relating to consular services was held between October and April.

Richard Ottaway: That is my point, and I do not believe that the subsequent demands have changed things at all.

The negotiations of the past few months have highlighted the continued existence of widely diverging views about how the EU should make external policy, and the scale of the change of mindset that will be required in some quarters to focus on the generation of a more seamless external policy for the Union. Whether or not one believes that the EAS is workable or necessary in the first place, the manner in which it has been achieved hardly gives rise to optimism that there can be effective implementation of EU policy.

My hon. Friends have set out emotive views about the EU, and on behalf of the FAC I shall simply concentrate on the nuts and bolts of the system and pose a few questions to the Minister. The assessment of the deal between the Council and the European Parliament, which is now before us, may depend very much on the legal status of the additional declarations and statements that Baroness Ashton has now agreed to make. The explanatory memorandum refers to those as "accompanying" the decision and as

"forming part of the overall political agreement".

I would be grateful if the Minister could clarify the legal status of those documents and the degree to which they are relied on.

I would welcome reassurance from the Minister that the deal now before us does not give the Commission or the European Parliament any greater power over the budget for the common foreign and security policy. With the abandonment of the Western European Union by the previous Government, there is now a bit of a lacuna in that area of oversight.

The hon. Member for Linlithgow and East Falkirk (Michael Connarty) raised the way in which the High Representative delegates her responsibilities. The Lisbon treaty did not create a wholly new, specially fashioned position but was intended to encourage greater coherence in the EU's external policies simply by giving three different jobs to the same person. That raises the question of who is to deputise for the High Representative when she cannot be in several places at once. The Minister responded to that point, but some further clarification would be welcome. How is that done? Where is the procedure set out and what is the authority for it? Who is the Foreign Minister of Hungary speaking for? I know that he is speaking for the High Representative, but where does he get his brief and to whom does he report?

The new EU delegations to third countries and international organisations are to be upgraded from the existing European Commission delegations. The increased role of those delegations seems to me potentially one of the most significant changes resulting from the Lisbon treaty, both for the EU and for national foreign ministries. Does the Foreign Office see any need to issue specific guidance to UK posts about how they should work with the new EU delegations, particularly as regards the sharing of information and intelligence?

Mr Ellwood: Has my hon. Friend had the opportunity to meet Ambassador Ušackas, the new EU representative in Afghanistan? He passed through London and is now in Kabul, but his remit and how it sits with United Nations directives and those of the international security assistance force is unclear. We have signed up to the ISAF mission, but we are also part of the EU and are therefore expected to form part of the ambassador's mission. There is a dichotomy in interests.

Richard Ottaway: I met the ambassador. For the past month, I have formed a Committee of one on foreign affairs, and I ended up inviting Members to meet him. He was fairly clear about his brief, but my hon. Friend makes a strong point.

It has been suggested in some quarters that the Foreign Office may close some embassies where the EU has a stronger presence post-Lisbon. The previous permanent under-secretary at the Foreign Office, Sir Peter Ricketts, suggested to the Foreign Affairs Committee and the Public Accounts Committee in the previous Parliament that, if anything, the arrival of the EU delegations might help the FCO's efforts to sustain and perhaps even expand its overseas network. Sir Peter also said that the Foreign Office might be able to sustain or open small overseas posts by locating them in EU delegation buildings when suitable office space might otherwise be difficult to find. I should be grateful if the Minister clarified that.

On staffing, the previous Government told the FAC that there would be 25 secondees to the EAS when it was up and running. However, in a reply to a recent parliamentary question, the figure was abandoned, and the response was slightly ambiguous. I should be grateful to the Minister for guidance on that. Have we retained the secondments that we have? Are vacancies that arise open to national civil servants? Does the UK have any potential secondees in those competitions?

In short, we are where are and we hope that the EAS contributes significantly to making the EU a more effective vehicle in the world today. The documents before us suggest that the Government have succeeded in securing some key points, but many questions remain to be answered.

6.27 pm

Mr Nigel Dodds (Belfast North) (DUP): I welcome the Minister to his position. It is the first time that I have spoken in a debate that he has led as Minister for Europe. Of course, I remember him fondly from his days as shadow Secretary of State for Northern Ireland. The experience gained there will doubtless stand him in good stead for the intricacies and delicacies of European diplomacy. We wish him well.

However, the debate is about something that the British people neither want nor need. If the broad mass of the public looked in on the debate, they would ask, "What on earth is this all about?" At a time of massive constraint in the public expenditure system, with public services under threat, Departments told that they might face cuts of between 25% and 40%, and our diplomatic corps told that it, too, might face huge cutbacks, we are holding a debate that is based on a treaty that nobody wanted and on which we were denied a referendum.

The hon. Member for Croydon South (Richard Ottaway) and the Minister used the expression, "We are where we are." That is true, but we do not need to be where we are. I have great sympathy for the Minister because, while the shadow Minister teased him about a volte-face, the road to Damascus and so on, he was clearly uncomfortable about some of the things that he had to say. He said that the motion was about mitigating the damage, and I was worried when he seemed to get carried away with some enthusiasm for the new service. However, if he and his party had stuck to their pledge to offer the people of the United Kingdom a referendum on the Lisbon treaty, it would not have come into force and we would not be discussing this motion.

I do not want to rehearse the argument over the referendum on the Lisbon treaty except to say that the excellent private Member's Bill on it unfortunately did not make progress. The fact is that it would have been possible for the House to grant the British people a referendum even after ratification. At the end of the day, the House is sovereign, and the British people ultimately ought to have the right to decide whether we should have all those institutions created out of Lisbon.

Mr Ellwood: The right hon. Gentleman has been a Member of this House for a number of years, and he is aware that the Lisbon treaty has been signed. Having a referendum now would be a bit like asking patients in a new hospital what colour they want the foundation stone to be. It is too late, hence the phrase, "We are where we are." We must mend what has been put together.

Mr Dodds: I have heard that theory, and no doubt the hon. Gentleman heard some of his hon. Friends debunk it at the time. Of course it is possible for the United Kingdom to decide that it no longer wishes to be part of the consequences of the ratification of the Lisbon treaty—that option is open to the House, Parliament and the British people. If what he says means that for ever and a day we have given up the right to decide matters such as membership of the European Union, what treaties we are signed up to and what institutions we belong to, it is a sad day for democracy in the House. The British people who supported the Conservative leader when he offered a cast-iron guarantee on a referendum did not expect that that promise and pledge would be ditched so quickly and so comprehensively.

I venture to say that that is one reason why there is a disconnect between the British public at large and their Parliament. The people do not trust politicians—such trust is essential—because the promises that they hear politicians make are cast aside when it suits the politicians, not when it suits them. People expect promises to be honoured. They overwhelmingly believe that we should not have signed up to the Lisbon treaty and that a European diplomatic corps should not be created, and they expect their views to be heard. Unfortunately, there is a cosy consensus between the Front Benchers of both major parties, and indeed the Liberal Democrats, so people will be denied their say and a referendum.

Chris Bryant: I hate to leap to the defence of the Conservative Government, but it would surely not affect the rest of the European Union if Britain voted against the Lisbon treaty in a referendum, because the EU would continue to operate under the treaty. In all honesty, the only referendum one could now have is on whether to leave or stay in the EU.

Mr Dodds: No doubt some hon. Members think that that is a pretty good idea. The hon. Gentleman speaks of referendums, but he knows full well that he and the previous Government pledged a referendum on the European constitution to the British people. There is talk of the Minister making a volte-face, but the decision not to grant that referendum was the biggest volte-face

in recent history. Of course, a distinction between the Lisbon treaty and the original proposal for a European constitution was made, but much of it was spurious.

The fact that we are today debating the creation of the European diplomatic service, with all that that entails, proves the point that many of us made about the Lisbon treaty, which is that the treaty is yet another significant development in the creation of a European superstate—the Minister alluded to that and to the reasons why he and his colleagues opposed the measure at the time. He may argue that the High Representative is unable to advance a position in the absence of a common position adopted by the Council of Ministers, but that means that on many critical issues around the world the High Representative and that vast diplomatic superstructure will be sitting on their hands.

Philip Davies: Does the right hon. Gentleman accept the irony of today's proceedings? Earlier we were invited to support reductions in the police grant because there is supposedly not enough public money to go around, but we are now invited to indulge the largesse of the European Union. Does he agree that if we are all in this together and if we are living in the age of austerity, we should make that abundantly clear to the EU?

Mr Dodds: I entirely agree with the hon. Gentleman, and I am just coming on to the budget, which is critically important. He is right to ask how people in the Community will feel about this debate and the amount of expenditure attached to it, at a time when we are debating the police grant and other matters.

We heard the Minister talk about the extra expenditure amounting to some £1.1 million in start-up costs, which he confirmed in answer to a question from the hon. Member for Hertsmere (Mr Clappison), but the cost of the EEAS is expected to reach some €900 million when fully operational. Some reports in the European Parliament suggest that it will cost up to £5 billion a year to run when fully up and running. A leading German MEP, a member of Chancellor Merkel's party and who sits on the budget committee, was quoted in *The Sunday Times* on 25 April as saying:

"You can only believe the claims that the service will be budget neutral if you believe in Santa Claus."

A senior official in Baroness Ashton's service said that nobody took seriously the claim that the service would remain budget neutral and went on:

"That's simply not realistic, not even in the mid-term, but the notion has to be maintained for reasons of political acceptability."

The irony will not be lost on UK taxpayers that this Government, who are asking Departments to demonstrate where cuts of up to 40% can be made, now endorse a service that will cost millions of pounds and that we neither want nor need. Those of us who opposed Lisbon and the creation of the EEAS back in 2008 still oppose it, and I hope that we will be given the opportunity to do so in the Lobby tonight.

6.37 pm

Mr William Cash (Stone) (Con): I congratulate my hon. Friend the Minister for Europe on his appointment. I am sure that we will be having many useful discussions, dialogues and even cross-examinations as time goes on.

I regard this whole decision as a triumph of European aspirations and European parliamentary ambitions over reality. I am deeply worried about the manner in which this game of multidimensional chess will play out, and I have already indicated to my hon. Friend the Minister my concern about the overlapping functions and the contradictions that will emerge between the necessity of maintaining our bilateral relations with other countries and the extremely ambitious proposals in this decision on global reach. It is phenomenal to imagine an external action service on this scale that would in any way be regarded as not interfering with our domestic diplomatic service.

I sense that my hon. Friend the Minister and my right hon. Friend the Foreign Secretary know this. We debated the Lisbon treaty together, we were united and we had a remarkable rapprochement during those debates—contrary to the debates over the Maastricht treaty, when I stood in this very spot and had much to say about what I thought would happen. Many people might think that some of the things I suggested would happen have done so, and this is one of them.

I treat the whole issue of the external action service with great concern for the reasons that I have given. It will induce a recipe for confusion—

Mr Dennis Skinner (Bolsover) (Lab): Like IPSA.

Mr Cash: It is not as confusing as that, but it is getting there.

Mr Skinner: Speaking as someone who voted against Nice, Maastricht, Lisbon and God knows what else, I may have made a slight error on the Independent Parliamentary Standards Authority. On reflection, I think IPSA should run the EEAS; that will cock it up.

Mr Cash *rose—*

Mr Speaker: Order. Before the hon. Gentleman replies to that witty intervention, I will remind him of what I am sure he already knows—that the Minister has a right of reply and will need to be called at 6.52 pm. It is conceivable that other Members might also wish to contribute.

Mr Cash: Having spoken for only two minutes, I can guarantee that I will not speak for more than five at most. As for intervention of a few moments ago, I think the Court of Auditors might have something to say about the matters that the hon. Member for Bolsover (Mr Skinner) raised. After all, it has not signed off its accounts for the last 15 years.

I am deeply concerned about this whole operation. I add that in the report mentioned in the documents before us, the European Scrutiny Committee said that this important proposal is

"likely to be the most significant change in the conduct of British foreign policy for many years",

which is why a debate on the Floor of the House was, exceptionally, recommended. That is the truth and the reality. I am deeply concerned that in being asked to consider the functions of the Foreign Office under this decision, there is a huge issue to do with the impact this new global diplomatic service will have on Britain's ability to promote her own bilateral interests.

[Mr Cash]

This is not a small matter. The question is how we are going to be able to maintain our own bilateral interests if we are suffocated by the decisions that are taken. Anybody who reads these documents in detail—I do not have time to go into that detail today—will appreciate that there is a very severe danger to the continuation of our bilateral interests, however hard my hon. Friend the Minister and the Foreign Secretary will work, as I know they will. Given the depth, the range and the landscape of this monumental creation of a new foreign service on a European scale, it is difficult to see how our bilateral interests can be preserved.

In conclusion, there is also the declaration on political accountability. I would be grateful if the Minister told us some of his thoughts on that. He said in evidence to the House of Lords Select Committee last week that he hoped the decision would

"end up providing a more coherent and effective platform for the delivery of the EU's engagement with the outside world."

For my part, I hope that our own foreign policy will be conducted in a manner that will properly reflect the interests of this country. I am happy to co-operate with other countries throughout Europe—and, indeed, anywhere else in the world—because we have a responsibility to do so, but I am deeply worried at the way this entire legal framework is liable to subsume our own ability to ensure our own national interests.

I regard this as a mosaic, as it were, within a labyrinth, and I fear that there will be a confusion of control and command in military matters, in relation to Kosovo and our relations with Iran, for example. We need to be extremely cautious about giving this more than a very tepid welcome.

6.44 pm

Michael Connarty (Linlithgow and East Falkirk) (Lab): I am sensitive about intruding on private grief, but I am witnessing the acting out of a scenario in which a Minister who takes a very positive approach to issues relating to the European Union is surrounded by a large number of Eurosceptic Members of Parliament who had previously imagined that they were serving under a Eurosceptic Government. The words "a cosy consensus" have been used, but I am not sure that that is what it is. I see it more as the sweet breeze of EU realism blowing through the Conservative Government.

The fact is that the Lisbon treaty is in force, and will not be overturned. In a speech that I made on the issue, I described the treaty as a "tipping point" in the balance of power between Brussels and the national Parliaments. I hope that there will be a rearrangement of power, and that a triangulation of forces will eventually return to us more power than the Commission, and indeed the European Parliament, want us to have.

For me, the key issue is the scope of the European External Action Service. Paragraph 36 of the European Scrutiny Committee's 18th report of 2009-10, published before the election, stated:

"Given the importance of this proposal, which—the Minister's assurances on consular protection notwithstanding"—

the then Minister, my hon. Friend the Member for Rhondda (Chris Bryant), is sitting in front of me now—

"is nonetheless likely to be the most significant change in the conduct of British foreign policy for many years, we consider that this debate should be on the Floor of the House."

I still believe that that is the case.

We have encountered the question of accountability. While an election was taking place in this country, the European Parliament was using its powers under the Lisbon treaty to advance a case relating to the question of the three deputy secretaries who would substitute for the High Representative. That case was rejected, but in fact the European Parliament achieved a great deal more. There was a second Council decision following the one on the matter that was eventually referred to the Council on 9 July.

The European Parliament saw an opportunity to make a bold opening gambit in relation to those who would be substitutes and guardians, or protectors, of the High Representative. It used the fact that staffing regulations, finance regulations and the EEAS budget would be subject to the European Parliament's powers of co-decision to advance a strong argument that it should be consulted on matters such as the common foreign and security policy. That, of course, will be subject to unanimous agreement in the Council, but the Parliament has inserted itself into the process to great effect. The Lisbon treaty gave it the opportunity to enhance its ability to influence the politics and policy of a major institution.

The second decision, as the Minister said, was that the High Representative would

"seek the views of the European Parliament on the main aspects and basic choices of policy".

The Council decided that the European Parliament would have to be consulted on policies such as the common security and defence policy, and on questions relating to the basic organisation of the EEAS central administration and political accountability. It is clear that we have not only had an election, but failed to establish any scrutiny arrangements in this Parliament.

The European Parliament clearly views that agreement as meaning that it will have a significantly greater influence on EU foreign policy in the future. That is where we have arrived after the stages through which we have gone. The Parliament has gained considerable ground. It may not have made all the gains that it demanded, but I do not think that it wanted them anyway. It wanted to make the service accountable to it.

We now need assurances from the Government that they will defend not just the common foreign and security policy and the common security and defence policy, but the right of this Parliament to scrutinise what they do and hold them to account when they go to the Council. That might serve as some small protection against a European Parliament that might otherwise take complete control of this policy and this service in the future.

6.49 pm

Mr Tobias Ellwood (Bournemouth East) (Con): It is a pleasure to contribute to this important debate. It is important to understand what we are creating. My hon. Friend the Member for Shipley (Philip Davies)—who I see has gained some new recruits to support him on the Back Benches—obviously takes a different view from others on how we should approach the Lisbon treaty.

The phrase "We are where we are" has been used a number of times in the debate. If we had a blank sheet of paper, I am sure that we would not create the Lisbon treaty in its current form, but I was not in favour of the dome, either— I thought it was unpopular and a wrong concept—but it was built, and then we decided to change it and make it actually work. If we choose to opt out of the EU, as some colleagues on both the Government and Opposition Benches might wish, we will certainly change our relationship with the EU and Europe from one perspective, but we will also alienate many countries, and we will then be unable to influence their approach to the EU.

Andrew Percy (Brigg and Goole) (Con): The issue, however, is that many of us have a problem with the creation of this external service. We have not got into a discussion about whether we should be a member state of the EU. The fact is that many of us have grave concerns about this measure, and that is what we have been talking about today.

Mr Ellwood: I do not disagree with my hon. Friend. The point I am stressing, however, is that, as has been said, we could be in a stronger position if we were to move British personnel into the organisation and change it into something actually worth having—and that is what I would like.

I do, however, have some grave concerns about EU spending at present. A great example of that is the Galileo satellite system. It has cost about £4 billion so far, and the Foreign Office budget is, I understand, about £2 billion, so there would be some huge savings straight away if we were to get rid of that system. I also mentioned in an intervention the concerns we have in respect of NATO and the European Defence Agency. They have not been answered today, and I would be grateful for the opportunity to speak to my hon. Friend the Minister about the clear overlap that there is in respect of those two organisations. When I was serving in the armed forces in Bosnia, the EU was trying to create something of a European army, and that is wrong. The cornerstone of our defence in Europe is NATO, and we should not try to duplicate it.

I intervened on my hon. Friend the Member for Croydon South (Richard Ottaway), the Chair of the Foreign Affairs Committee, about Ambassador Ušackas who has now been sent to Afghanistan to represent the European Union. I have a question: if the EU starts sending diktats or directives on how Afghanistan should be approached, that might overlap with the direction we are receiving as a member of the international security assistance force, and—

Mr Speaker: Order. The House is grateful to the hon. Gentleman for his question, which can now be left dangling in the air—although the Minister might seek to respond to it.

6.53 pm

Mr Lidington: I thank all Members who have taken part in the debate. My hon. Friend the Member for Hertsmere (Mr Clappison) pressed me about the overall cost of the European External Action Service. The problem with putting a precise figure on that is that we are talking about an organisation to be created by bringing together activities that are funded by a number of budget heads within the existing EU set-up, and in some cases parts of expenditure under one budget head are transferring to the EEAS and others are not. The best estimate that we have at present is that about £400 million of expenditure will be required to fund the activities transferred from the Council and the Commission into the new EEAS. The much higher figure cited by the right hon. Member for Belfast North (Mr Dodds) can come about only if we assume that the whole of development expenditure is transferred, and that is not going to happen. I will write to my hon. Friend the Member for Hertsmere once we have more detailed estimates as the budgetary process continues in Brussels.

My hon. Friend the Member for Croydon South (Richard Ottaway) asked a number of specific questions. Declarations are not legally binding. They are statements that provide a political context for a Council decision and how it will operate as it is taken forward. In response to his question about deputies, where a deputy—a Foreign Minister or anybody else—speaks on a matter covered by common foreign and security policy, that deputy must speak in support of a common position which has been agreed unanimously by all member states.

My hon. Friend also asked about the role of the EU special representative in Afghanistan. He is twin-hatted already, as both the special representative and the head of the European Commission offices in Afghanistan. He will, of course, work closely with other international organisations and representatives and will seek to complement, not duplicate, the work of, for example, ISAF. My hon. Friend further asked whether we were committed to sending 25 British secondees to the EEAS. That was an initial figure and we are keeping it under review. However, we have a number of British candidates for the first wave of EEAS posts, and many more are interested in future vacancies.

My hon. Friend asked about the instructions and advice that the FCO might send to our own British posts abroad. We will be sending them instructions and advice, and those instructions will be that they should co-operate with European Union missions to secure British foreign policy objectives and to influence the work of those EU delegations, in order to give priority to matters on which there is a common position—for example, the need for sanctions against the Iranian nuclear programme—that will secure both European and United Kingdom interests at the same time. We are also asking our posts to be extremely vigilant about any evidence of competence creep at the behest of the Commission or of other institutions or member states, and to report back swiftly to the Foreign Office if there is evidence of that happening. I can tell my hon. Friend that I have already come across examples of such reports to us, and we do take appropriate action and make representations to protect the interest of member states.

I say to my hon. Friend the Member for Stone (Mr Cash) that we are not in the business of trying to supplant or in any way to weaken the ability of British diplomats and Ministers to stand up strongly for the national interests of the United Kingdom. However, we are also acknowledging that there are on occasion opportunities to promote and enhance British interests in a way that also suits the common interests of the 27 member states—

6.57 pm

One and a half hours having elapsed since the commencement of proceedings on the motion, the Speaker put the Question (Standing Order No. 16(1)).

The House divided: Ayes 321, Noes 12.

Division No. 25] [6.57 pm

AYES

Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Allen, Mr Graham
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Beresford, Sir Paul
Berry, Jake
Betts, Mr Clive
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackman-Woods, Roberta
Blackwood, Nicola
Blunkett, rh Mr David
Blunt, Mr Crispin
Boles, Nick
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Bryant, Chris
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Chishti, Rehman
Clappison, Mr James
Clark, rh Greg
Clifton-Brown, Geoffrey
Clwyd, rh Ann
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Durkan, Mark
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Flynn, Paul
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gapes, Mike
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Green, Kate
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Hanson, rh Mr David
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howell, John
Hughes, Simon
Huhne, rh Chris
Huppert, Dr Julian
Ilisley, Mr Eric
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Kevan
Jones, Mr Marcus
Kawczynski, Daniel
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Mann, John
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Raab, Mr Dominic
Randall, rh Mr John
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, Mr Andrew
Robertson, Hugh
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas

Soubry, Anna
Soulsby, Sir Peter
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vaz, rh Keith
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Mr Shailesh Vara and Mark Hunter

NOES

Bone, Mr Peter
Carswell, Mr Douglas
Corbyn, Jeremy
Davies, Philip
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Lucas, Caroline
Paisley, Ian
Reckless, Mark
Skinner, Mr Dennis
Tomlinson, Justin
Wilson, Sammy

Tellers for the Noes:
Mr Philip Hollobone and Andrew Percy

Question accordingly agreed to.

Resolved,

That this House takes note of European Document Nos. 8029/10 and 11507/10, draft Council Decisions establishing the organisation and functioning of the European External Action Service; European Document No. 8134/10, draft Regulation on the Financial Regulations for the European External Action Service; and an unnumbered draft Regulation amending Staff Regulations of officials of the European Communities and the conditions of employment of other servants of those Communities; and supports the Government's policy to agree to the Decision establishing the External Action Service at the Foreign Affairs Council in July 2010.

Business without Debate

DELEGATED LEGISLATION

Mr Deputy Speaker (Mr Lindsay Hoyle): With the permission of the House, we shall take motions 5 and 6 together.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

PENSIONS

That the draft Occupational Pension Schemes (Levies) (Amendment) Regulations 2010, which were laid before this House on 2 March 2010, in the previous Parliament, be approved.

That the draft Pensions Regulator (Contribution Notices) (Sum Specified following Transfer) Regulations 2010, which were laid before this House on 1 March 2010, in the previous Parliament, be approved.—*(Mr Newmark.)*

Question agreed to.

DELEGATED LEGISLATION (COMMITTEES)

Motion made,

That the Motion in the name of Sir George Young relating to the Electoral Commission shall be treated as if it related to an instrument subject to the provisions of Standing Order No. 118 (Delegated Legislation Committees) in respect of which notice of a motion has been given that the instrument be approved.—*(Mr Newmark.)*

Hon. Members: Object.

BUSINESS OF THE HOUSE

Motion made,

That, notwithstanding the practice of the House as to the intervals between stages of Bills brought in upon Ways and Means Resolutions, more than one stage of the Finance Bill may be taken at any sitting of the House.—*(Mr Newmark.)*

Hon. Members: Object.

Retained Firefighters

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Newmark.)*

7.11 pm

Dan Byles (North Warwickshire) (Con): I am grateful for the opportunity to talk about this important subject and I am grateful to you, Mr Deputy Speaker, for allowing me to give up some of my time at the end of my speech to three of my hon. Friends who care deeply about this subject and how it impacts on their constituents. I would like to make it clear that, as the debate is about retained firefighters, I will limit my comments to that part of the fire and rescue services, but that should not be seen as a snub to our brave and dedicated whole-time firefighters. I believe that the retained system complements the whole-time system and that each needs the other, but a debate on whole-time firefighters is for another occasion. Retained firefighters are sometimes known as on-call firefighters or the retained duty system, which I may refer to as the RDS.

In many ways, this debate is about much more than the role of retained firefighters. It is about communities, volunteering and service to family, neighbourhoods and country. Retained firefighters are paid volunteers who spend up to 120 hours a week on call from home or work. The majority fulfil that impressive commitment in addition to a paid day job; it is not the sort of thing that anyone does for money. These are local people who care about their neighbourhoods and who want to play a role in keeping them safe.

The concept of volunteer service is a noble one that extends across many areas of national life and it should be cherished. It predates the big society, but I dare say that it complements it nicely in the spirit of Edmund Burke's little platoons. It is about the Territorial Army soldier giving up his weekends and summer holidays to train alongside the Regular Army, taking time out from his job to deploy on operations to serve his country and all too often giving his life in the process. It is about the police special finishing her day job on a Friday evening and instead of going out with friends, putting on a police uniform and going out on patrol with her local police, helping to keep her neighbourhood safe. And it is about the retained firefighter dedicating his life to the bleeper and standing ready to respond within five minutes of a call-out, day or night. Once that bleeper goes off and the RDS crew mobilises at the fire station, they are firefighters. They wear the same uniform, use the same equipment and vehicles and attend the same incidents as their whole-time colleagues. The fire service could not function in its current form without them.

Looking at the origins of the fire service in the UK, it could be said that the entire fire and rescue service developed from an early version of the retained service. Prior to the great fire of London in 1666, firefighting was done in a haphazard way at local parish level. It was principally carried out by townsfolk working together to extinguish fires within their communities. After 1666, local fire services started to become more organised, but it was not until the 1800s that more formal fire brigades began to evolve. Even then, some remained volunteer brigades, while others were private organisations formed by property insurers.

The first national legislation was not seen until 1938, when first the auxiliary fire service and then the national fire service were formed. After world war two, the national fire service was taken over by local county authorities, so that in 1948 there were 148 county council and county borough-run fire brigades. Today across the UK we have 63 brigades, and with the exception of London almost all of them include RDS personnel.

The RDS system is not perfect and much can be done to improve it. Issues surrounding training, concerns over the EU working time directive and difficulties with recruitment and retention remain. Following the 2003 White Paper "Our Fire and Rescue Service", a review of the retained system was commissioned. The report of that review, which was published in 2005, made 51 specific recommendations aimed at improving the effectiveness of the RDS, but it is worth noting that it opened with the words:

> "The retained duty system is a valued, vital element of the modern fire and rescue service".

Although the previous Government were perhaps a little slow in starting to implement the recommendations, the picture has clearly improved in recent years with, for example, a reduction in vacancies in RDS posts from 20% in 2003-04 to 13% in 2008-09. There is more work to do, however, and those recommendations from the 2005 review that remain outstanding should be looked at in detail by the coalition Government.

This debate is about the retained fire service in general, but it is well known in the House that I and my fellow Warwickshire MPs have a number of concerns that relate to changes in the provision of fire and rescue services in Warwickshire in particular. In my own constituency, the fire station in the town of Bedworth has faced the uncertainty of potential closure for many months. We have only recently learned the details of options that the county council will consider next week. Many people in Bedworth will be relieved and delighted that it appears that Bedworth fire station will now remain open, but other fire stations in Warwickshire have not been so fortunate.

From what we know, it appears that Bedworth fire station will be manned in future exclusively by RDS personnel, so the decision is timely and relevant to this debate. I recognise that many people in Bedworth will remain concerned about what could be seen as a reduction in the station's capacity. I confess to holding mixed views. I would have preferred the station to have remained as it was, but I also recognise that the hard work, the campaigning and the clear message that local people in Bedworth sent to the chief fire officer have resulted in probably the best compromise that we could have hoped for.

The worst possible outcome for us—one that looked like a very real possibility for a long time—would have been for Bedworth to lose our fire station all together. It looks as though we will end up with a compromise: Bedworth fire station staying open, but as a retained station. In doing so, it will join the 54% of all fire stations in the UK that are manned solely by RDS firefighters. It is therefore with mixed feelings that I declare my delight that people power seems to have won the day and Bedworth will continue to have our own fire station. That is a testament to the hard work and campaigning of so many local people, including those in the Fire Brigades Union and the Retained Firefighters

Union, the friends and family of local firefighters and many others. I am proud to have played a role in helping to save Bedworth station.

I am making quicker progress than I expected—perhaps one or two other hon. Members may wish to speak for a little longer than two minutes—but before I conclude, I will say that I am not a big fan of lists of statistics; but sometimes, even in this place, a few facts can be helpful to a debate, so I hope the House will indulge me. About one third of the 42,000 firefighters in England are retained firefighters, but even that statistic masks just how much we rely on these volunteers. Retained firefighters are responsible for operating 60% of all fire engines in England. Because they are more prevalent in rural areas, RDS firefighters provide emergency cover for a staggering 90% of the UK's land mass. Some 54% of fire stations in the UK are manned solely by RDS firefighters, and at any one time in England, there are more retained firefighters on call and providing emergency cover than full-time firefighters. It is clear that we rely on our retained firefighters in a way that few casual observers of our emergency services would realise, but they can continue to support us only if we continue to support them.

7.20 pm

Nadhim Zahawi (Stratford-on-Avon) (Con): We have heard a most eloquent speech from my hon. Friend the Member for North Warwickshire (Dan Byles) about retained firefighters and their importance to their communities and to the fire service itself. He is fortunate in having some certainty about Bedworth fire station; unfortunately, I cannot report the same to the House from Stratford-on-Avon.

Our chief fire officer has had the difficult task of drawing up proposals for improving Warwickshire's fire and rescue service. He took on the role from his predecessor after a difficult period involving a consultation process that I think Warwickshire Members would agree was flawed. That process did a lot of damage to the community's confidence in the fire service and in a decision-making process that could lead to such unfortunate events.

The county council will discuss and evaluate three options for Warwickshire on Friday, two of which are extremely negative for us in Stratford-on-Avon. I will not dwell too long on those, but I shall speak about the third option, which is positive in the sense that we would retain Bidford and Studley fire stations.

Let me say a few words about the response of retained firefighters and the local community to the consultation on improving Warwickshire's fire services. The way in which they have reacted has been exemplary. They have not been a barrier to change and improvement; indeed, their approach has been proactive, and when they were asked to step up to the mark, they did so by putting forward a credible set of proposals. Those proposals have made their way into option C, which involves retaining Bidford and Studley fire stations, and perhaps into option B, which would retain Bidford although, unfortunately, we would lose Studley.

I am worried that the chief fire officer has heavily skewed the process by his announcement in his report that he prefers the option under which we would lose those retained fire stations and their good fire personnel. He has stated:

"All three models will improve the level of resources available in Warwickshire for community fire safety, dealing with small fires, road traffic incidents and incidents of flooding",

so I am slightly concerned and puzzled about why he would choose option A, given that option C would certainly be a credible approach.

I am aware that other Members wish to speak, but before I conclude, I wish to make a point about the idea that we need to improve fire safety. Many members of the public erroneously believe that their safety depends primarily on the proximity of a fire station.

Brandon Lewis (Great Yarmouth) (Con): I agree with my hon. Friend's comment about fire safety. Norfolk county council's fire review is examining saving money as well as improving the service, but consideration is being given to spending more on management in Great Yarmouth yet losing 14 retained firemen. At this time, does he agree that we should all do our best in our communities to put pressure on local authorities so that they do not spend money on management and instead do the logical thing of keeping in place front-line services such as retained firemen?

Nadhim Zahawi: My hon. Friend raises an important point, which I hope will be taken on board not only in Great Yarmouth, but in Warwickshire when the deliberations take place on Friday.

The chief fire officer says that there will be

"a significant increase in community fire safety"

if option A is chosen, implying that having a single fire station and closing the retained fire station would mean that we would get more fire safety education in the community. I believe the opposite is true: that the closer that human beings are to their community, the more trusted their opinion will be and the more trust the community will have in improving fire safety, which is the drive for the fire service to get fire alarms into homes and prevent fires rather than react to them.

I hope that on Friday the county council will evaluate the proposals before them. I have made telephone calls today to all the cabinet, as well as writing to them personally, to say that they should look at all the options very carefully. They have promised me that they will do so and that they will look in great detail at option C and B. I implore them to do the right thing and make sure that we retain our stations in Stratford-on-Avon, whose staff are crucial to the community. That would send a positive message that we have listened to the wishes of the community and it would build a strong bridge with the local communities of Bidford and Studley.

7.26 pm

Mr Marcus Jones (Nuneaton) (Con): I will try to be brief as we are short on time. I congratulate my hon. Friend the Member for North Warwickshire (Dan Byles) on securing this important debate. The House should honour and value the role of retained firefighters, and I want to cite a specific and local example of the superb work that they do, which occurred in the Delamere road area in Bedworth in my hon. Friend's constituency.

To set the scene, on a Saturday lunchtime in December 2008, a local community was engulfed in a severe flood within minutes. To their credit, the retained

[Mr Marcus Jones]

firefighters from Bedworth fire station, which I am glad is still very much in the thoughts of Warwickshire country council and Warwickshire fire service, reacted superbly. They attended within several minutes and carried out a diligent professional operation, which helped the residents of that area who were under pressure at that time, some of whose lives were at risk, not to mention the risk to property. They were helped through the first few hours of that crisis by Warwickshire fire service and the retained firefighters from Bedworth.

I mainly wanted to mention the dedication and service that our retained firefighters provide to our communities, in which the Government should support them, particularly with regard to training and ensuring that they have the right equipment, not only to keep the retained firefighters motivated, but to maintain public confidence in the excellent service that they provide.

7.28 pm

Chris White (Warwick and Leamington) (Con): My hon. Friend the Member for North Warwickshire (Dan Byles) is correct to highlight the key role of retained firefighters throughout the country. I am fortunate to have in my constituency a station staffed by retained firefighters. Sadly it is under threat, as are many other stations throughout Warwickshire.

At a time when we anticipate large-scale cuts to the public sector, something that the fire service is preparing for, it would be short-sighted to reduce the number of retained firefighters, yet that is exactly what has been proposed in my constituency. Retained firefighters combine high-quality service with flexibility, and as we seek to keep a lean and effective fire service, they are essential. How can it be right, at a time when we have an admitted skills shortage and ever-growing demands on our fire service, to get rid of these vital individuals who not only help to protect the public but do so with considerable savings to the taxpayer?

Having had the pleasure, as I am sure many hon. Members have, of meeting and talking to retained firefighters, I am proud of the work that they do. We often bandy around the words "civic duty", but retained firefighters embody the very essence of that term. Being community-minded, they potentially risk their lives to protect ours.

Sarah Newton (Truro and Falmouth) (Con): I very much appreciate my hon. Friend giving way and congratulate my hon. Friend the Member for North Warwickshire (Dan Byles) on securing the debate. If it were not for retained fire officers in Cornwall, we would not have an effective fire service. If the citizens of Cornwall are to have a fire service, retained officers are essential. I hope that the Minister will address the points that my hon. Friends have made about the impact of the EU working time directive. It is a constant threat to retained firefighters, because it will impede them in delivering the vital service that they provide for Cornwall and throughout the country.

Chris White: I thank my hon. Friend for that intervention. To add to that, what sort of example are we setting if we so easily ignore the contribution of our retained firefighters? I hope that this debate will encourage fire services and local authorities throughout the country to recognise the value of retained firefighters and ensure that they continue to have a long-term future.

7.31 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Robert Neill): It is a pleasure to respond to this debate. I congratulate my hon. Friend the Member for North Warwickshire (Dan Byles) on securing it, on the elegant way in which he put his case and on his generosity in allowing several other hon. Members to participate. His recital of the history of the fire service reminded me of my own rather lengthy association with the organisation, although I do not go back quite as far as some of the reforms that my hon. Friend mentioned—despite rumours to the contrary.

I am delighted to agree with my hon. Friend about the importance of the fire service. I fully appreciate just how vital the retained duty system is to the effectiveness of emergency cover in many parts of the country, particularly in protecting our small towns and rural communities and providing a crucial element of the national resilience arrangements. Retained duty system firefighters, as my hon. Friends have said, make up more than 30% of the fire and rescue service's operational personnel and provide crews to something like 54% of all fire stations in England.

As I said in my speech to the UK fire and rescue conference in Harrogate at the end of last month, the vital and significant contribution of the retained duty system provides an excellent example of how localism and the big society are already embedded within parts of the fire service, and I welcome that recognition from my hon. Friends.

I can confirm that the Government greatly value the contribution of firefighters employed on the retained duty system. They are the backbone of many services, and in some cases they form more than 70% of the operational work force. I had the pleasure of making that point directly to the national officers of the Retained Firefighters Union when I met them as an early priority after my appointment.

Throughout the country, retained firefighters undertake a range of roles, responding to emergencies of all kinds, such as heathland fires, floods, ship fires and chemical spills. Many are also involved in the delivery of community fire safety advice, and others take part in the co-responding programme as first responders to medical emergencies, such as heart attacks. They bring great flexibility and value for money to our system. As active members of their community, retained duty crews provide an excellent demonstration of the effectiveness of the localist approach to service delivery, and I agree that they are dedicated and highly motivated men and women who do an excellent job for their communities.

In some parts of the country, the system has been affected by long-standing recruitment and retention difficulties, but I hope that a number of measures that are now available will help to support the fire and rescue service in overcoming those challenges. We have to recognise that there is no one-size-fits-all solution to what can be quite complex local issues, particularly given the changes to the organisation of rural life, the social change in areas served by the retained duty system and the competing pressures on busy people's

time. However, that has led to the development of initiatives such as an employers' information toolkit for fire and rescue services to use in establishing and building links with businesses in their community, and an employers' recognition scheme designed to be run locally by fire and rescue services to acknowledge the contribution by employers in their area who release staff for retained duties.

We are undertaking an extensive survey of the retained duty system, looking at how the nature of the retained role may have changed in recent years; how demographic changes may be impacting on that, as with the economic situation; how the service is addressing recruitment and retention, and managing those pressures; and how the RDS work force are trained, developed and utilised. That survey will deliver vital evidence that will inform discussions by fire and rescue authorities on issues affecting this valued sector of the work force; so, too, will the proposed strategic review of the fire service that I announced at the Harrogate conference. I hope that we will use the opportunity of the survey and the review to encourage fire and rescue authorities to make more imaginative use of the resource of retained duty fire fighter.

It is necessary to say a few words about the economic background with which the service has to deal. The Budget of 22 June set out the Government's five-year plan to rebuild the British economy based on our values of responsibility, freedom and fairness. It shows how we will carry out Britain's unavoidable deficit reduction plan in a way that strengthens and unites the country. In these challenging times, the fire and rescue service, alongside other public services providers, will have an important role to play in helping to deliver those spending reductions. We will look to the sector to be innovative in making savings and in improving efficiencies, while at the same time recognising that its core business is a front-line role, which must of course be given appropriate priority. It is therefore right that many of the proposals contained in integrated risk management plans—across the country, not only in Warwickshire—are aimed at increasing efficiency because, by doing so, fire and rescue authorities can maximise the amount of risk-reducing activity that they can deliver from the resources available to them.

That is the key point. The aim should still be to ensure excellent service delivery. Efficiency is about working more effectively, using less public money to deliver as good, or better, public services. That means that despite reductions in spending, there should not be a visible reduction in service, nor a reduction in performance. There will be difficult decisions to make, but the fire and rescue service has a track record of delivery, and I am sure that it will step up to the mark to deal with this.

My hon. Friend the Member for North Warwickshire, and my other hon. Friends, referred to the position in Warwickshire, and I understand why they did so. I note in passing that present in his place, and keeping me company on the Treasury Bench, is my hon. Friend the Member for Kenilworth and Southam (Jeremy Wright), whose position does not permit him to take part in the debate but who takes an active interest in this matter as a Warwickshire Member of Parliament.

I have spoken at length about the overall position of the retained duty system. Of course, my hon. Friends have referred to the proposals in Warwickshire and the possible closure of some fire stations that forms part of those proposals. As they will recall, the implications of the changes set out in Warwickshire fire and rescue authority's improvement plan were debated in Westminster Hall on 30 June. I am sure that in making its decision, Warwickshire county council will take into account all the views expressed during the consultation exercise, and I have no doubt that my hon. Friends who have spoken powerfully tonight will ensure that the authority takes their views into account. I am sure that as a responsible fire authority it will do so.

However, as I explained in the earlier debate, it would be inappropriate for Ministers to comment on the specific proposals that have been put forward and consulted on by Warwickshire fire and rescue authority. The principle of local determination of local solutions for local circumstances means that it would not be appropriate for me to seek to influence the decisions that the authority will be faced with on 20 July in light of the representations to it. The whole point of the locally determined risk approach is that it is for local authorities to take such decisions, and I am confident that they will do so responsibly. I am sure my hon. Friends will understand why it is not appropriate for me to say more on the specifics, but they have ventilated their case with vigour.

I close by saying that earlier today I was at Winchester cathedral, representing Her Majesty's Government at a memorial service for two brave firefighters who died on duty in Southampton. They were full-time firefighters, but the risks run by firefighters draw no distinction between those who are full time and those who are retained, and there have been tragic deaths among retained firefighters in recent times as well. All of them—every one—are brave and courageous men and women doing their best for this country, and they deserve our support.

7.41 pm

House adjourned without Question put (Standing Order No. 9(7)).

House of Commons

Thursday 15 July 2010

The House met at half-past Ten o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

COMMUNITIES AND LOCAL GOVERNMENT

The Secretary of State was asked—

Home Information Packs

1. **Jessica Lee** (Erewash) (Con): What assessment has been made of the effect on providers of home information packs of the suspension of the requirement for such packs to be produced. [8500]

3. **Mr Adam Holloway** (Gravesham) (Con): What assessment he has made of the effect on the housing market of the suspension of the requirement to provide home information packs. [8502]

The Secretary of State for Communities and Local Government (Mr Eric Pickles): The suspension of HIPs has given a much needed boost to the housing market. Reports from the industry suggest that the number of new homes coming on to the market has increased by more than one third since HIPs were suspended. We have also estimated that abolishing HIPs could save consumers just short of £900 million over the next 10 years.

Jessica Lee: Estate agents in Erewash have conveyed to me their relief at the home information pack scheme being abolished. Indeed, one estate agent has just described the scheme to me as being a complete barrier to people selling their homes. Can the Secretary of State inform the House whether that sentiment is shared by other people working in the housing sector across the country?

Mr Pickles: I am delighted to inform my hon. Friend that joy and happiness among estate agents is not confined to Erewash. Throughout the land, there is a general understanding that the drag anchor that HIPs were is no longer a constraint on the housing market.

Mr Holloway: What further plans does the Secretary of State have to roll out that happiness and smooth the conveyancing process?

Mr Pickles: I am all for spreading as much joy and happiness, and indeed love, as I can, where'er I go. It was clear even from the trials that HIPs were going to be a real mess. We now need to look to the future and at what can be done to speed up transactions. I know that my right hon. Friend the Minister for Housing is looking at ways to speed up the introduction of e-conveyancing.

Dr Alan Whitehead (Southampton, Test) (Lab): Why has the Secretary of State decided, alongside the abolition of HIPs, that energy performance certificates should no longer be required at the point when a house is initially viewed for purchase? Does he intend to downgrade the importance of those as well?

Mr Pickles: Gracious, no—indeed, under our green deal, energy certificates will perform a much more important role. They will be about bringing the price of energy down and ensuring that somebody with a house that has a good energy certificate does well, because we want to get houses on to the market. We will insist that the energy certificate be commissioned and in place before the sale takes place. It is about speeding things up—the hon. Gentleman is not familiar with that idea. We are in favour of house sales, not bureaucracy.

Chris Leslie (Nottingham East) (Lab/Co-op): I am glad to hear that the right hon. Gentleman thought deeply about the consequences of removing the home information pack arrangement, but in his careful and calculated assessment, did he work out the number of people whose jobs might be affected? Clearly a number of people across the housing market professions have been gearing up to work in that area and will now no longer have that employment. How many people?

Mr Pickles: When the hon. Gentleman was in another job, during his brief interregnum between spells in this place, he used to advise me solidly to cut away waste and speed things up, and I have followed that advice. HIPs were just part of a service that was provided. We have just heard from the hon. Member for Southampton, Test (Dr Whitehead) about energy certificates, and a number of such services are available.

It has to be said that it is not as though the removal of HIPs came as a shock. It appeared clearly in the manifestos of the Conservative party and the Liberal Democrats, and in the coalition document.

Landlords/Agents (Regulation)

2. **Chris Williamson** (Derby North) (Lab): Whether he plans to introduce a national register of private landlords. [8501]

14. **Lilian Greenwood** (Nottingham South) (Lab): Whether he plans to review the regulatory framework applying to managing and letting agents. [8513]

The Minister for Housing (Grant Shapps): The current legislative framework delivers the right balance of rights and responsibilities between landlords and tenants, so, as I announced to the House on 10 June, we have no plans to add to it, whether through a national register for landlords or the regulation of managing and letting agents.

Chris Williamson: Why is the Minister so indifferent to the rights of private tenants? Is not he worried that weakening local authorities' powers will give a green light to rogue landlords and lead to a surge in the

number of houses in multiple occupation? I ask him in all sincerity to think again about ditching the plans to give private tenants greater protection—or is he happy to usher in a new era of Rachmanism?

Grant Shapps: The hon. Gentleman may not have been here when I last addressed this subject, but I am keen to protect tenants' rights and to ensure that sufficient landlords can operate in the market and are not regulated out of it, thereby making rents more expensive for the very people who want to go into the private rented sector. I looked long and hard for and asked in the Department about the supposed landlords register that the previous Government announced. I could not find a scrap of paper about it, leading me to conclude that it was more a case of a press release than a policy on a landlords register.

Lilian Greenwood: There are almost 11,000 private tenants in my constituency, many of whom are students, including overseas students, who are particularly vulnerable to exploitation by rogue landlords—there are numerous examples of that. Does the Minister agree with the Association of Residential Letting Agents that tenants deserve protection, and that regulation is required to drive up standards?

Grant Shapps: I agree absolutely that tenants deserve protection and that regulations are, of course, required. However, perhaps the hon. Lady would like to reflect on the fact that we have been in government for two months whereas her party were in government for 13 years. There must be a good reason why the previous Government did not regulate the industry further in that time, and there is: many different powers are available to local authorities to ensure that they look after residents. Those powers now include HMO-ing, and we will ensure that they apply in areas where local authorities want them, but we no longer need the bureaucracy of their applying nationwide.

Business Rates (Small Businesses)

4. **Nick de Bois** (Enfield North) (Con): What steps he is taking to assist small businesses with payment of business rate bills. [8503]

12. **Dan Byles** (North Warwickshire) (Con): What steps he is taking to assist small businesses with payment of business rate bills. [8511]

The Parliamentary Under-Secretary of State for Communities and Local Government (Robert Neill): We are doubling the level of small business rate relief in England for one year, from 1 October 2010. More than 500,000 businesses in England are expected to benefit, with approximately 345,000 businesses paying no rates. That will be a valuable reduction in fixed costs for new and existing small businesses.

Nick de Bois: In Enfield North, we have been campaigning hard to bring in new businesses and start-ups and to encourage people to relocate to the area. What practical steps will the Under-Secretary take to allow my local authority to get behind that campaign?

Robert Neill: I am aware of my hon. Friend's campaign and I pay tribute to his work for small businesses in his area. The Government propose to introduce a business growth bonus, which will reward local authorities for giving planning permission for new business premises. We are also examining ways to enable local authorities to discount the business rate, and we will ensure that in areas where business rate supplement is considered, businesses have a proper opportunity to vote on it in a ballot.

Dan Byles: Local councils' powers to help small businesses in their areas and to help areas in need of economic regeneration, such as the town of Bedworth in my constituency, are limited. Does the Under-Secretary agree that local councils need more powers, such as the ability to vary business rates within a borough or district to create local economic regeneration zones, to help new and existing businesses invest in struggling towns and villages?

Robert Neill: That is precisely why the Government propose to introduce the opportunity to discount the rate, to consider the way in which business rate supplement operates in an area and, above all, to ensure that, at the same time as we create the ability to attract housing into an area through our council tax incentive, we give an equal incentive—the business rate growth incentive—to provide jobs and business in an area.

Emma Reynolds (Wolverhampton North East) (Lab): Given that, regrettably, the Government are downgrading benefits to the consumer prices index rather than linking them to the retail prices index, will they be helping small businesses by linking business rates to CPI rather than RPI?

Robert Neill: The most valuable assistance that we have given is ensuring an extension of the business rate relief. Moreover, we are assisting small businesses in particular and we have increased the threshold for empty property relief this year to £18,000—all of which the previous Government signally failed to do.

Mr John Denham (Southampton, Itchen) (Lab): The Government often tell us that hard choices must be made in these difficult economic times. May I ask the Minister about port rates? The Labour Government recognised the difficult position of ports businesses that were faced with backdated rates by giving them eight years to pay. In those circumstances, how does the Minister justify spending hundreds of millions of pounds entirely wiping out the legal rates of those businesses, when other public services for which he is responsible are suffering? Is not that a pretty disgraceful piece of pork-barrelling, given that the measure is aimed at what were Tory target seats in the last general election? People up and down the country who face their services being cut will ask why that is a priority in these difficult times.

Robert Neill: I think it is a better use of money than £2 million for the furniture in Eland House, if I might say so. With respect, the right hon. Gentleman neglects the fact that his Government's policy was roundly condemned by the cross-party Select Committee on Communities and Local Government as being wholly inadequate, and condemned by a number of his hon. Friends who represented port constituencies.

The right hon. Gentleman's policy neglected to reflect the reality that a discount for eight years did not remove the book liability that fell on ports businesses. That drove a number of them into balance-sheet insolvency, which in turn created cash-flow difficulties with their banks and actually put some out of business. The Government are keeping jobs in port constituencies and communities, and I am very proud that we are doing so.

Regional Spatial Strategies

5. **George Hollingbery** (Meon Valley) (Con): What guidance he has issued to local authorities on the procedure for re-examination of the allocation of strategic development areas and major development areas under former regional spatial strategies. [8504]

The Minister of State, Department for Communities and Local Government (Greg Clark): The Government issued advice to local authorities on 6 July. Following the revocation of the regional spatial strategies, planning for major development areas is for local communities to determine, free from interference from unaccountable regional quangos. If local authorities wish to retain policies on strategic development areas, they are free to do so in their local plans.

George Hollingbery: I thank the Minister for his answer. As well as freeing local communities to make real decisions for themselves about where they live, will he also ensure that the time-wasting, box-ticking, intrusive and expensive, inspector-led and Government office-led compliance process that went with those central diktats, is also consigned to the dustbin?

Greg Clark: My hon. Friend is absolutely right, and for the benefit of Members, I am today placing in the Library of the House two items. The first is the documents associated with the south-east regional plan, which consists of 3,000 pages and weighs 2 stone. That has been replaced by the second item, which consists of six pages of guidance weighing 1 oz. If anything encapsulates the difference between this Government's approach and the previous Government's approach, it is that we are freeing local authorities from that burden.

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): Does the Minister recognise that under the Planning and Compulsory Purchase Act 2004, the local development plan, by which all planning decisions in an area should be determined, is defined as comprising two elements: the local development framework and the regional spatial strategy, which have equal status. Removing one at a stroke, as the Government propose, leaves most people who think about this subject very fearful that the Government are creating a situation in which the local development plans will be unfit for purpose and there will be litigation and protracted delay, all of which will lead to the halting of necessary development. How do the Government justify that?

Greg Clark: The right hon. Gentleman is behind the times. The regional spatial strategies have been revoked: they are not about to be revoked, they are no more, they are dead, they no longer exist, they are ex-strategies. When it comes to spatial planning—*[Interruption.]* The strategies have been revoked under current legislation. It is entirely possible for progressive local authorities to co-operate, as they are, for example, in Essex, Manchester and Worcestershire, to ensure that cross-border issues are properly dealt with. That is exactly what they are doing.

Duncan Hames (Chippenham) (LD): I thank the Minister for that reply. Will he extend his guidance to planning inspectorates, so that emerging regional spatial strategies that have not yet been adopted, and indeed emerging core strategies that existed merely to comply with RSSs, are considered immaterial by inspectors?

Greg Clark: I am pleased to confirm to my hon. Friend that we have indeed done that. It is worth pointing out that because of that great panoply of regulation and imposition, only 18% of authorities had actually adopted a regional strategy, years after they were first required.

Mr Clive Betts (Sheffield South East) (Lab): I do not know whether the Minister is aware of or concerned about the damage that his changes to planning policies are already causing, but has he had the chance to read a well researched article in the *Financial Times* at the weekend, which showed that 7,500 houses in various schemes have already been cancelled as a result of those changes? Is it not the case that the Government's policies are already proving damaging to the house building industry and bad for everyone in desperate need of a home?

Greg Clark: I have great respect for the hon. Gentleman, who chairs the Communities and Local Government Committee, but I do not know where he has been for the past few years. He should know that the number of house completions has been at an historic low—the lowest since the second world war. Our intention is to increase house building by removing the imposition that sets people against development. It is a disastrous situation when people are against developments. By allowing people to create communities in the way that they want and to share in the economic benefits of that, we can take the poison out of the planning system.

Non-departmental Public Bodies

6. **Jane Ellison** (Battersea) (Con): If he will take steps to reduce the functions of the non-departmental public bodies for which his Department is responsible. [8505]

16. **Henry Smith** (Crawley) (Con): What steps he is taking to reduce the functions of non-departmental public bodies for which his Department is responsible. [8516]

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): We will definitely take steps to reduce the functions and cost of the Department's quangos. We are reviewing each of our 27 quangos—a number that astonished me—in the context of the Public Bodies Bill. We are committed to increasing accountability and to reducing their number and costs and the overlap of their functions with local authorities. Announcements have been made on the Infrastructure Planning Commission, the Homes and Communities Agency, the Standards Board and the National Housing Planning and Advice Unit. A review of the Tenant Services Authority is also under way.

Jane Ellison: I thank my hon. Friend for that reply. When I am talking to the leader of my local council—Wandsworth, a top-rated council—one of the great frustrations expressed is about the number of plans and strategies that senior officers are compelled to write in areas such as youth offending and adult social services, when their time would be better spent delivering those local services. May I have some assurance that we will determine what strategies are needed locally rather than centrally?

Andrew Stunell: I agree with my hon. Friend. I was looking at some of the figures for the Homes and Communities Agency, which delivered—or at least assisted in delivering—55,000 houses at a cost of £80 million, which is £1,500 on the price of every house built. Local authorities have building inspectors, planning officers and auditors, and much of the activity is clearly duplicated and wasted. We have cut the comprehensive area assessment and the regional spatial strategies, and we are giving local authorities the opportunity to take the decisions themselves, with the experts that, in most cases, they already employ. We must cut out the duplication and nonsense that flows from the system set up by the previous Government.

Henry Smith: Can my hon. Friend outline briefly how he plans to democratise the decisions and functions currently undertaken by quangos that will shortly cease to exist?

Andrew Stunell: The whole point—or at least a significant part—of what we are doing is based on restoring accountability for the decisions that these bodies have been taking. In some cases, we are ensuring that functions return to the local authorities, where they should have been. If we take, for example, the Standards Board, it cost £8,000 per complaint upheld. We are saying that we can sweep that away completely and restore the monitoring of standards to local councils; in addition, we are getting support from our colleagues in local government to provide a peer review process at a much reduced cost.

John Healey (Wentworth and Dearne) (Lab): The Department's biggest agency is the Homes and Communities Agency. That has had not one, but two cuts to its budget this year in just two months—more than 10% of the money agreed and set aside to build new, affordable housing. Why was it that no Minister made a statement in public or to this House about those cuts? The details were snuck out on the HCA website. Will the Minister confirm now to the House that the £450 million cut in the HCA's budget this year will mean that nearly 6,000 new affordable homes will not be built and 5,000 house building jobs will go?

Andrew Stunell: I have a lot of respect for the right hon. Gentleman, but when it comes to counting, he is not quite so good. We need to understand the dire situation this country was in. Emergency action was essential. However, my right hon. Friend the Minister for Housing will shortly be able to give details of all the developments that will go ahead, now that we have had a chance to assess the financial situation fully.

John Healey: I shall give the Minister the chance to put the record straight. There was no black hole and no house building commitments were made without the money having been agreed and set aside, as he and other colleagues have claimed. If there had been, I would have received an accounting officer's letter, but I did not. Will he confirm, therefore, that there was £540 million in the Department's budget last year that we planned and agreed with the Treasury to spend this year on affordable housing, and that it has been cut back by a further £220 million? Will he now admit that his Ministers and team have not had the strength to stand up to the Treasury and have not had the courage to come to the House to tell us about the cuts they are making?

Andrew Stunell: I read in the newspapers that it was the previous Chancellor who could not persuade the Prime Minister of the day that he needed to stop borrowing and start tackling the deficit—but of course, that might have just been a press report. As I understand it, the housing pledge that the right hon. Member for Wentworth and Dearne (John Healey) brought to the House was for £1.5 billion. We have now authorised the release of £1.25 billion of that pledge. There will be housing built on a scale that the Labour party never achieved while in power.

Government Office for the North West

7. **Esther McVey** (Wirral West) (Con): What plans he has for the future of the Government office for the north-west. [8506]

The Secretary of State for Communities and Local Government (Mr Eric Pickles): The coalition Government's programme for government, published on 20 May, stated that

"we will abolish the Government Office for London and consider the case for abolishing the remaining Government Offices".

We are currently discussing this with interested parties, including the trade unions.

Esther McVey: The north-west employs more public sector employees than any other region in the country apart from London. Although I welcome the Government's plans to expand private enterprise in our local economy, assisted by the regional growth fund and local enterprise partnerships, will the Secretary of State explain how his Department plans to cushion that transition towards private sector enterprise, so that the people of the north-west and Merseyside can keep their jobs and continue to contribute to economic growth?

Mr Pickles: The north-west of England is, of course, a vibrant area full of people of enterprise. As my hon. Friend rightly says, the regional growth fund will provide targeted support to areas of deprivation, unlike the regional development agencies, which simply move one form of public money around to another public body. We will ensure that private investment is brought in and, in addition, we will have the local enterprise partnerships. She will also be aware that we will give national insurance incentives for firms in the north to create jobs, and extend small business rate relief to them. There will be diverse other measures.

Mr Speaker: Order. Today, questions and, in particular, answers are rather long, and need to get shorter.

Yvonne Fovargue (Makerfield) (Lab): With the scrapping of the regional development agency and now—so we understand—the Government office for the north-west under threat, what voice will there be for the north-west to secure co-ordinated investment for the region, in both towns and the rural areas?

Mr Pickles: The Government offices for the regions are about the Government imposing their will on the regions. We will be giving power back to local councils, local community groups and local entrepreneurs.

Mr Gordon Marsden (Blackpool South) (Lab): Would not scrapping the Government office for the north-west mean north-west local authorities having to go cap in hand to each Whitehall Department? Would not such a diktat be of a piece with the Secretary of State bludgeoning the Business Secretary over scrapping regional development agencies? What has he to say to the former Tory leader from Trafford, Councillor Susan Williams, who asked:

"Where is the voice of the NW to government?"

and then said that it was in "a void"? Would he not leave north-west local authorities swinging in limbo, with their economies disrupted by his cuts and no north-west body promoting major regenerational transport projects? Is not his localism just a fraudulent—

Mr Speaker: Order. The hon. Gentleman must resume his seat. That is now five questions. It is an abuse of the procedures of the House when Members, on both sides, ask questions that are simply too long. I want a short answer from the Secretary of State please.

Mr Pickles: No.

Planning

8. **Chris Heaton-Harris** (Daventry) (Con): If he will bring forward proposals to ensure that people are able to prevent major planning proposals proceeding in their areas. [8507]

The Minister of State, Department for Communities and Local Government (Greg Clark): All planning decisions should be democratically legitimate. Following the revocation of the regional spatial strategies, local communities will determine most planning applications. For major infrastructure projects, decisions will be taken on the basis of national planning statements, ratified by this House, by Ministers accountable to this House.

Chris Heaton-Harris: One of the things that have brought together communities in Daventry is their campaigns against wind farm developments. Does the Minister accept that disempowering local communities is profoundly counter-productive and actually deepens planning disputes, rather than helps to resolve them?

Greg Clark: My hon. Friend is exactly right. If we want to increase the contribution from renewable energy in this country—as we do—we should look at what happens on the continent, where they do not have the poison in the planning system I mentioned. Those countries have community-owned renewable energy developments and they allow people to share in the proceeds. That is exactly what we will do.

Heidi Alexander (Lewisham East) (Lab): Anyone reading Question 8 on the Order Paper could be forgiven for thinking that what many Tories and Liberal Democrats would like is a never-build-anything-anywhere policy. What assurance can the Minister give me that the natural nimby inclinations of so many on his Benches will not result in fewer affordable homes and fewer jobs being provided in Lewisham East, where they are so desperately needed by my constituents?

Greg Clark: The hon. Lady may not have noticed, but the effect of the previous Government's policy was to reduce housing development, so that virtually none happened. The strategies that we have talked about—the targets imposed—have deluded her into thinking that targets are the same thing as building. However, things have not happened that way and she should wake up to that.

Housing Market Renewal

9. **Gordon Birtwistle** (Burnley) (LD): If he will take steps to reduce expenditure by his Department's non-departmental public bodies on the housing market renewal pathfinder programme. [8508]

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): The housing market renewal programme was included in the £6.2 billion of savings from Government spending in this year, as announced on 24 May. The Regenerate Pennine Lancashire pathfinder has been consulted on the reductions in my hon. Friend's area.

Gordon Birtwistle: Although I welcome the HMR pathfinder programme, which has delivered massive housing regeneration in many areas across the UK, including my constituency, will the Minister look into both the system of passporting proposals for regeneration and the funding stream, following Government approval, from the HCA to the local authorities? The present delivery quango, which sits between the HCA and the local authorities, top-slices an average of 10% of the funds available, which equates to approximately £40 million for 2008-09, while delivering little benefit on the ground—

Mr Speaker: Order. I think that we have heard enough.

Andrew Stunell: I thank my hon. Friend, who I know has done a lot of work in looking at the administrative costs of the process. One of the things that we will be examining closely is how those costs can be reduced and how local authorities can have more control over the process.

Mr John Denham (Southampton, Itchen) (Lab): The hon. Member for Burnley (Gordon Birtwistle) raises an important question, but what is the Minister's answer to the current Lib Dem leader of Burnley council, who has said of this Government's financial settlement:

"We are a deprived borough but once again we are suffering. I am disappointed and sick of us being kicked by budget cuts in Burnley"?

Is it not the case that the Minister has ensured that it is the poorest and most deprived councils in this country that are suffering the most?

Andrew Stunell: I am disappointed with that. What the Opposition have not appreciated is that my hon. Friend the Member for Burnley made the very fair point that far too much of the money is top-sliced and siphoned off, and does not produce the renewal that it is supposed to. That is what we are committed to putting right.

Travellers (Local Authority Powers)

10. **Caroline Dinenage** (Gosport) (Con): Whether he plans to bring forward proposals to facilitate local authorities in moving Travellers on from private and public property. [8509]

15. **Richard Graham** (Gloucester) (Con): If he will take steps to accelerate the process for local authorities to gain possession of public land upon which there are unauthorised Traveller encampments. [8514]

The Secretary of State for Communities and Local Government (Mr Eric Pickles): The Government will ensure that, where local authorities have made appropriate provision for authorised sites in their area, reflecting genuine local need and historic demand, they will have stronger enforcement powers to deal with unauthorised encampments. We are reviewing how this can be achieved.

Caroline Dinenage: Under the last Government, illegal sites and caravans were increasingly tolerated, with councils deciding not to seek their removal. Will the Secretary of State please reassure me that Travellers will no longer be allowed to breach the planning rules that law-abiding home owners have to abide by?

Mr Pickles: We have to remember that a significant number of Gypsies and Travellers are themselves law-abiding citizens. What we want to see is fair play within our planning system. The overwhelming majority of Travellers abide by the rules, but we will ensure that those small minorities that do not are no longer encouraged to do so by the law.

Richard Graham: Twice in the last year, Travellers have smashed through gates to invade Plock court—an important green space on the edge of my Gloucester constituency. The process for moving Travellers on from public land is much longer than for moving them on from private land. Does my right hon. Friend agree that this disruption could be significantly reduced if the law for both were aligned?

Mr Pickles: We shall look towards speeding up the process, but it is important to understand that the operation of the law at the moment is predicated not on seeking easy resolution, but on conflict. What we are threatened with as a result of the planning laws having been allowed to slip is a genuine attack on social cohesion. Doing something about that is a priority for this Government; that is why we seek to ensure fairness for all.

Kate Green (Stretford and Urmston) (Lab): Where are these families to move to, given that the Government are cutting funding for public travelling community sites by £30 million?

Mr Pickles: It was never intended under the previous Government and nor is it intended under this Government that all provision for Travellers should come out of public funds. I am more concerned, I have to say, about health and education issues relating to Gypsies and Travellers, which have been allowed to lapse so woefully under the previous Government.

Philip Davies (Shipley) (Con): The Secretary of State said that many of these Travellers are law-abiding people. That may well be true, but many of them are not. I am not worried only about Travellers on illegal sites. What about the so-called Travellers—even though they stay in the same place all the time—on legal sites who still create a huge menace to the local community? What can my right hon. Friend do to make sure that local authorities have the power to deal with these people, rather than pussyfooting around with them as they tend to do?

Mr Pickles: It is certainly our intention to ensure that planning regulations are properly enforced, but we are also seeking to increase social cohesion so that people, no matter what their background, are welcome in all communities. A deal has to be struck whereby we can assure the public that everyone is going to be treated fairly, in return for which we expect people to be treated fairly.

Housing Benefit

13. **Ms Karen Buck** (Westminster North) (Lab): What discussions he has had with the Secretary of State for Work and Pensions on the effect on housing and levels of homelessness of the proposed reduction in housing benefit levels. [8512]

The Minister for Housing (Grant Shapps): Ministers from this Department regularly meet their colleagues from other Departments. We are looking closely with colleagues in the Department for Work and Pensions at how to support implementation of the recently announced changes to housing benefit.

Ms Buck: Given the enormous upheaval that is likely to accrue from the cuts in housing benefit, will the Minister give a guarantee to the House today that he will not weaken the safety net of homelessness legislation?

Grant Shapps: I acknowledge the hon. Lady's considerable knowledge and interest in housing and matters of homelessness, which we have regularly debated. I can provide the assurance that this Government will take issues of homelessness and protection very seriously. I have recently set up a cross-ministerial working group for the first time to bring Ministers together, and we also have a discretionary fund, which we are expanding to £40 million to assist in this way.

Simon Hughes (Bermondsey and Old Southwark) (LD): Does the Minister accept that while we of course want to stop rip-off landlords from exploiting the state and tenants and to stop preventing people from getting back to work because their rents are too high making it impossible for them to come off benefits, we also need to ensure that no vulnerable person becomes homeless as a result of the changes? Will he and his colleagues in the Department for Work and Pensions meet a cross-party group of London MPs to ensure that the policy has the right objective and not an unfair one?

Grant Shapps: The hon. Gentleman is absolutely right that the policy needs to protect the most vulnerable and to introduce fairness into the system. The expansion of housing benefit to £21 billion—a 50% expansion in the bill—over just a 10-year period is unsustainable; it is more than the police and universities budgets put together and it simply has to be brought into line. It is not fair that people can be in receipt of £2,000 a week to live in areas of London that other people are unable to live in when they work. I am quite certain that Ministers will be very happy to meet such a group.

Third Sector (Funding)

19. **Toby Perkins** (Chesterfield) (Lab): What assessment he has made of the effect on third sector organisations of the reduction in local authority funding announced on 10 June 2010. [8519]

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): Councils have complete flexibility in where they find savings to ensure that costs are reduced while they continue to support key front-line services. The voluntary sector is an important part of that.

Toby Perkins: I am grateful to the Minister for his answer, but is not the reality that, as in Chesterfield, many of our voluntary sector organisations rely on core funding from the local government sector, and that the cuts in the local government sector will inevitably lead to a reduction in that core funding that will fundamentally undermine any possibility that the voluntary sector can play a part in this big society?

Andrew Stunell: Well, it is not inevitable. I have just said that councils have complete flexibility in how they set priorities, and local authorities will need to prioritise. I say to the hon. Gentleman and the whole House that just as Ministers here have made sure that the £6.2 billion reductions hit just as hard at the centre as on local authorities, so local authorities need to have the same regard for the voluntary sector.

Mrs Jenny Chapman (Darlington) (Lab): The voluntary sector in my constituency is, as I imagine is the case everywhere, extremely anxious about the impact that reductions in local government funding will have on the service they can provide, and nowhere more so than in relation to infrastructure. What is the Minister's attitude to infrastructure bodies and how does he believe they should be funded?

Andrew Stunell: I certainly understand that anxiety. The whole country is anxious about the financial circumstances we face, both in the public finances and in the voluntary sector, and it will be extremely important for partners to work together, including local authorities and the voluntary sector, to overcome those difficulties in the very difficult circumstances we face.

Local Authorities (Administrative Burden)

20. **Stephen Mosley** (City of Chester) (Con): What steps he is taking to reduce the administrative burden placed on local authorities by central Government. [8520]

The Parliamentary Under-Secretary of State for Communities and Local Government (Robert Neill): We have already scrapped the comprehensive area assessment and regional spatial strategies, as well as removing ring-fencing from more than £1 billion of local government spending. We are currently inviting local government to identify the statutory guidance, legislation and regulations that it thinks should be removed, and we will go much further by introducing a decentralisation and localism Bill later in the year.

Stephen Mosley: One consequence of reducing the administrative burden on local councils and freeing them to take more decisions locally will be to allow them to offer different levels of services from their neighbours. Does my hon. Friend agree that far from being a bad thing, that will allow good councils to differentiate themselves from bad councils and allow local council tax payers the ultimate decision on the type of council they desire?

Robert Neill: Freedom for local authorities to respond to the priorities and needs of their residents is absolutely a good thing and is a top priority of this Government.

Fiona Mactaggart (Slough) (Lab): But what does the Minister say to local authorities such as mine that face a larger burden of in-year cutbacks than neighbouring authorities? What does he say about the additional burdens that he has put on to them by forcing them to cut previously agreed budgets with voluntary sector organisations and local services, meaning more expensive ways of managing their budgets?

Robert Neill: First, the hon. Lady forgets the financial situation that we inherited—that is fundamental. Secondly, because we have removed ring-fencing and reduced the percentage of ring-fenced funding, we have made sure that local authorities have more flexibility in how they save money. Thirdly, despite our dire financial inheritance, we have ensured that no local authority would have to make a reduction of more than 2%.

Fiona Mactaggart: Slough is facing a reduction of 3.19%.

Mr Speaker: Order. We cannot have these sudden interventions when not expected and not in order, however frustrated people feel—and they do.

Regional Spatial Strategies

22. **Harriett Baldwin** (West Worcestershire) (Con): What recent representations he has received on the effects on local authorities of the abolition of regional spatial strategies. [8522]

The Minister of State, Department for Communities and Local Government (Greg Clark): I have received a large number of letters and e-mails, the vast majority of which have welcomed the end of top-down targets and the return of planning decisions to local communities so that they can shape their own areas.

Harriett Baldwin: I thank the Minister on behalf of residents in West Worcestershire. I can assure him that councillors in my local area feel the same way. What advice would he give to them about developers who are

now taking things that were rejected on the basis of the Pickles letter to appeal to the Planning Inspectorate?

Greg Clark: The Planning Inspectorate has received guidance that the policy of the Government is clear and needs to be taken into account in planning appeals.

Mr Speaker: Order. It is best on the whole to refer not to the Pickles letter but to the Secretary of State's letter, and that is I think how we will do it.

Topical Questions

T1. [8526] **Tony Baldry** (Banbury) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Communities and Local Government (Mr Eric Pickles): I can assure you, Mr Speaker, that Mrs Pickles' letters have far more impact.

I am sure that the whole House will wish to pay tribute to the two firefighters, Alan Bannon and James Shears, who gave their lives in April in the line of duty and whose memorial service was yesterday.

Since last month's oral questions, I have waged war on the TLA—the Whitehall menace of the three-letter abbreviation. We have abolished the CAA, the IPC, the RDAs and the RSSs. We are giving powers back to local people, replacing bureaucracy with democratic accountability. We will be working with councils to deliver an era of town hall transparency. My Department will practise what it preaches and we will be publishing online our spending over £500. I am sure that the shadow Secretary of State will be pleased to know that we will be opening the books from April 2009.

Tony Baldry: When the RDAs are scrapped, will some of the money saved be available to help fund local enterprise partnerships? For far too long, Banbury has been at the edge of three RDAs. We want a local enterprise partnership which puts Banbury where it rightly belongs—at the heart of England.

Mr Pickles: I have always felt that Banbury was indeed at the heart of England. Of course, the local enterprise partnerships will give an opportunity for local authorities, business and academic institutions to coalesce around a genuine economic area. We will ensure that they have an opportunity to bring prosperity to that very fine town.

Mr John Denham (Southampton, Itchen) (Lab): I start by thanking the Secretary of State for his recognition of the two firefighters, Alan Bannon and James Shears, who died fighting the fire in Shirley Towers. Alan Bannon was a constituent of mine, as the Secretary of State knows, and I am grateful to the fire Minister, the Under-Secretary of State for Communities and Local Government, the hon. Member for Bromley and Chislehurst (Robert Neill), for attending the memorial service yesterday. It was appreciated by everybody connected with the Hampshire fire and rescue service.

On Tuesday this week, the Local Government Association showed that the arbitrary and incompetent decision to suspend the Building Schools for the Future programme has cost local council tax payers in England £162 million in spending on much-needed school projects which will not now go ahead. What efforts did the Secretary of State make to persuade the Secretary of State for Education not to cut that programme? How does he intend to stand up for local councils and prevent his Department becoming the ministry of waste—wasted council tax payers' money on suspended schools projects, wasted council tax payers' money as a result of the cuts that he has brought in this year, and wasted money on the opportunity to build new homes?

Mr Pickles: I hardly think that the former Secretary of State is in a position to talk about waste. We have already understood that he has virtually become the patron saint of internal decorators within the Department; £2 million was spent on furnishing at a time when councils were crying out for help. I did indeed speak to my right hon. Friend the Secretary of State for Education, and I was shocked to discover the amount of waste that was within that programme. I was shocked to discover that the achievement of that programme seemed to have made a single consultant a millionaire. Labour Members seemed quite happy to waste other people's money, but I assure them that this coalition Government are about saving money and are on the side of local councils.

T2. [8527] **Peter Aldous** (Waveney) (Con): What steps is the Department taking to ensure that the planning process not only responds to the demands of local communities, but provides an efficient supply of housing and employment land?

The Minister of State, Department for Communities and Local Government (Greg Clark): We are getting rid of the Soviet-style planning system—repealing Gosplan—precisely so that local communities such as my hon. Friend's can get together in the right way. For example, there is no sense in linking his area with Hertford because that is not a natural economic area and it is difficult to plan employment in such a way. His community is now free to liaise with neighbouring authorities, as it always should have been.

Shabana Mahmood (Birmingham, Ladywood) (Lab): The Government are already hitting hard new deal programmes that were designed to help some of our most deprived communities in areas such as Aston, which is in my constituency. Is it true that the plan is now to cut off funding from the middle of the financial year—from this October—thereby sacking staff and damaging some of our most deprived communities?

Mr Speaker: I call the Minister. Any Minister.

The Minister for Housing (Grant Shapps) *rose—*

Mr Speaker: Order. That was very unsatisfactory; I think that I will have to add injury time. Let us hear it from the Minister.

Mr Pickles: I wanted to answer it all the time.

This is about ensuring that local government finance is delivered fairly and straightforwardly. Given that we have been a bit slow in answering the hon. Lady, it is incumbent on me to say that if she wants to come and see me—or I can come and see her—I will give her a full answer.

T3. [8528] **Dr Sarah Wollaston** (Totnes) (Con): My constituency is home to Transition Town Totnes, which has a great interest in sustainable development. If the planning process for community land trusts is to be streamlined, provided that 90% of residents are in favour of a proposal, will the Department clarify how that 90% figure will be ascertained and how the low-carbon building agenda will be upheld so that we meet our commitments to cut emissions?

Grant Shapps: I will gladly answer my hon. Friend, Mr Speaker.

The 90% threshold is subject to a simple referendum of the people in the local community, parish or village. The idea is that the judgment should be made through the ballot box by those who go to vote. The buildings themselves will be judged against the criteria of sustainability codes 1 to 6, and the sustainability levels that will be required will be exactly the same as those for all buildings by 2016.

Mrs Linda Riordan (Halifax) (Lab/Co-op): Will Ministers tell me what steps they are taking to ensure that local government regeneration projects in Halifax will still go ahead now that Yorkshire Forward has been abolished? How will the Department address that shortfall?

Mr Pickles: Of course, we will be bringing those regeneration projects closer to the decisions, so I hope that the hon. Lady will have a big say on them. We are kind of hoping that we will be able to involve the private sector so that we are not just moving one amount of public money across to another receiver of such money.

T4. [8529] **Julian Smith** (Skipton and Ripon) (Con): Many of my constituents continue to be concerned that despite the exciting moves to localise planning decisions, developers and councils still will not listen to them. What reassurance can Ministers give to local communities that they are really back in the driving seat?

Greg Clark: They are back in the driving seat. Everything that is needed to make plans that respond to local communities is in place. The process will be buttressed by strong financial incentives. I would expect that councils such as those in my hon. Friend's area will want to take up these powers in the interests of his constituents.

Phil Wilson (Sedgefield) (Lab): Some 50% of the housing stock in several parts of my constituency is in the hands of private landlords. The previous Government introduced selective licensing and other regulations to try to clamp down on private landlords. Surely the next step is a national register for private landlords, so why will the Government not go ahead with that?

Grant Shapps: I have to say to the hon. Gentleman, if the next step was the registration of private landlords, why was that not done in the past 13 years? The simple answer is that many landlords in this country are just individuals who have literally one or two rooms to let. Introducing yet another database to try to regulate that would not have been the answer. HMO-ing is part of the answer. That need not be blanket HMO-ing across the whole country, as introduced by the outgoing Government on 6 April; we will make sure that HMO-ing is effective and used only where required.

T5. [8530] **Mr Peter Bone** (Wellingborough) (Con): Today, ECPAT—End Child Prostitution, Child Pornography and the Trafficking of Children for Sexual Purposes—has, in association with The Body Shop, launched a nationwide petition calling for guardianship for children who have been trafficked. Does the Secretary of State agree that that would help stop the scandal of child sex slaves who have been put into local government care being re-trafficked?

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): My hon. Friend draws attention to a new and important responsibility that the Department is assuming. I am keen to work with Members across the House on developing appropriate policies. I look forward to discussing that with him.

Julie Hilling (Bolton West) (Lab): It is always popular for any Government to say that they will have a bonfire of quangos, but does the Secretary of State realise that removing the Government office for the north-west removes support for the voluntary and community sector and centralises power in Westminster? That is hardly "big society"; it is much more "very big Westminster."

Mr Pickles: I readily understand that the hon. Lady has the disadvantage of being a Labour MP and is therefore incapable of understanding that this Government will give away power, or of understanding that localism will involve a constitutional shift in this country. We aim to give the people in towns and villages in the north-west more power. We will not repeat the mistakes of the Labour party by taking more power into Westminster.

T6. [8531] **George Hollingbery** (Meon Valley) (Con): In my conversations with planners and others over the past week, there seemed to be some question as to whether the recently announced changes to the definitions of brownfield land and densities in planning policy statement 3 prevent so-called garden-grabbing. Will the Minister please confirm that local councillors in Meon Valley and elsewhere are now free to amend their planning policies on garden-grabbing in any way that they want, in whatever time frame they choose?

Greg Clark: My hon. Friend is absolutely right. PPS3 has been revised with immediate effect, so those powers are now available to his authority and every other authority in the country; they can decide the status of gardens as they see fit.

Natascha Engel (North East Derbyshire) (Lab): The Housing Minister has just put forward a written ministerial statement that allows the hundreds of park home residents in my constituency access to the Residential Property Tribunal Service, and that is very welcome. Will he meet me to discuss how he plans to implement the consultation outcomes, which specify that there should be a strict personal specification of "fit and proper person", with regard to park home site owners? Will he meet me before the recess?

Grant Shapps: I will be delighted to meet the hon. Lady before the recess. She is right to say that the issue of park home regulation is complex. I did indeed put

forward a written ministerial statement yesterday, which clearly outlined that we should be able to move to the tribunal service to prevent park home owners from having to refer to the courts, with all the cost and time that that entails. I share her concern and will be happy to meet her.

T8. [8533] **Nadhim Zahawi** (Stratford-on-Avon) (Con): May I take my right hon. Friend the Secretary of State back to the issue of illegal Traveller sites? I face a real problem with such sites in my constituency of Stratford-on-Avon. I was pleased to hear him confirm that he will consider legislation to give councils more power to deal with that blight. May I push him a little further, and ask when the people of Stratford-on-Avon can expect that legislation?

Mr Pickles: Of course, the main proposals will be in the localism Bill, which we hope to bring before the House this calendar year. We will, of course, also look carefully at planning guidance, but as I am sure that you will appreciate, Mr Speaker, I want to try to tackle the issues together in one go, rather than in a piecemeal way.

Barry Gardiner (Brent North) (Lab): What discussions has the Secretary of State had with his counterpart at the Department of Energy and Climate Change on who would trump whom when we fail to meet our renewables target over the reintroduction of fast-track planning?

Greg Clark: We constantly have discussions with our colleagues in DECC, and we are absolutely determined to meet those renewables targets. Unless we bring in a system whereby communities can share in the benefits, we are unlikely to meet those targets, so we are urgently changing the system in order to get communities behind these things.

Martin Horwood (Cheltenham) (LD): The coalition's policy of letting local authorities plan for local housing need is very welcome, but the previous Government's requirement of them to display five years' supply of land for housing need before they could fight off overdevelopment on green spaces was lopsided, unfair and unsustainable. Will Ministers meet councillors and campaigners from Gloucestershire to hear the case for abolishing it?

Greg Clark: I should be very happy to meet my hon. Friend and his colleagues.

Diana R. Johnson (Kingston upon Hull North) (Lab): Can one of the Ministers explain to me why requiring local authorities to publish expenditure of £500 or more will help to ease the administrative burden on them?

Mr Pickles: We have decided to do so in the Department and, having gone through the process, I can say that it is easy to do and easy for local authorities. After all, Government Members are not frightened of the public, and it is the public who have a right to know.

Mr David Burrowes (Enfield, Southgate) (Con): Is it not extraordinary that, although hon. Members started today's proceedings with Prayers, as they have done for 450 years, the Labour council in Enfield has followed the Labour council in Leicester by banning council prayers? Will my right hon. Friend reassure me that, under this Government, we will not marginalise faith in general and Christianity in particular from the public sphere and the big society?

Andrew Stunell: There is a place for faith in our society, and if one looks throughout the United Kingdom one finds that people of faith have played a huge part in our society. As it happens, immediately after this Question Time I am going across to Lambeth palace to meet the Archbishop.

Bridget Phillipson (Houghton and Sunderland South) (Lab): One estimate is that 200,000 people will be made homeless as a result of the changes to housing benefit, and at the same time funding for social housing is being pulled from areas such as Sunderland. Will the Minister provide additional funding to local authority housing departments to deal with the significant increase in people who will be going to see them to register as homeless?

Grant Shapps: I thank the hon. Lady for that. She is absolutely right to point out that there are pressures in the system, which have been created by a £155 billion deficit and a housing benefit bill that has spiralled to £21 billion. Unlike the previous Government, however, we are taking steps to change that situation and, in particular, introducing a £40 million fund that local authorities will be able to use to ameliorate the effects of some of the changes that are now coming in.

Several hon. Members *rose—*

Mr Speaker: Order. Because there was a little delay a few moments ago, I did allow a bit of injury time, but I am afraid that all good things must come to an end.

Business of the House

11.32 am

Ms Rosie Winterton (Doncaster Central) (Lab): Will the Leader of the House give us the forthcoming business?

The Leader of the House of Commons (Sir George Young): The business for the week commencing 19 July will include:

MONDAY 19 JULY—Second Reading of the Academies Bill [*Lords*]. At 10 pm the House will be asked to agree all outstanding estimates.

TUESDAY 20 JULY—Proceedings on the Consolidated Fund (Appropriation) Bill, followed by conclusion of proceedings on the Finance Bill (Day 4); to follow, the House will consider a motion relating to information for Back Benchers on statements. The subject for that debate was nominated by the Backbench Business Committee.

WEDNESDAY 21 JULY—Proceedings on the Academies Bill [*Lords*] (Day 1).

THURSDAY 22 JULY—Proceedings on the Academies Bill [*Lords*] (Day 2).

The provisional business for the week commencing 26 July will include:

MONDAY 26 JULY—Conclusion of proceedings on the Academies Bill [*Lords*] (Day 3).

TUESDAY 27 JULY—Business to be nominated by the Backbench Business Committee. The House will not adjourn until the Speaker has signified Royal Assent.

Colleagues will also wish to know that, subject to the progress of business, the House will rise for the summer recess on Tuesday 27 July and return on Monday 6 September.

The House will rise again for the conference recess on Thursday 16 September and return on Monday 11 October.

I should also like to inform the House that the business in Westminster Hall for 22 July will be:

THURSDAY 22 JULY—A debate on national lottery reform.

Ms Winterton: I thank the Leader of the House for the business and very much welcome the first debate that the Backbench Business Committee has initiated, on ministerial statements. I am very hopeful that it will provide an opportunity for Back Benchers to examine closely the right hon. Gentleman's leak prevention strategy.

As the Leader of the House knows, we Opposition Members had high hopes that he would be able to solve the mystery of why Conservative and Liberal Democrat Secretaries of State seem addicted to leaking major announcements to the media rather than announcing them to the House. I had such confidence in the right hon. Gentleman's investigative powers that I even likened him to Sherlock Holmes; after the events of this week, however, I am afraid that it is more a case of Inspector Clouseau than Sherlock Holmes.

I fear that the leak prevention strategy will have to be consigned to the dustbin of history unless drastic action is taken. After all, the Secretary of State for Health gave at least three interviews to the media, including an appearance on "The Andrew Marr Show", before coming to the House to announce his £80 billion gamble with the NHS. This morning, we heard the Secretary of State for Business, Innovation and Skills making a major televised speech on the future of higher education policy. He did make an apology, it is true—not for ignoring the House of Commons, but for the fact that details of his policy had been leaked. He shrugged that off by saying that leaks are part of public life.

When the Labour Government launched a review of student finance, there was extensive involvement of the Opposition, including an agreement on the review's terms of reference. We have seen none of that in the run-up to today's announcement. The Business Secretary is trying to say that the policy is not really new, but the coalition agreement said explicitly that the Government would wait for the Browne report before reviewing future policy. Surely the future of student finance should be about what is best for students and universities, not what keeps the peace in the coalition.

Can the Leader of the House say when the Business Secretary will come here to tell us exactly what his proposals mean? Will he undertake to remind Secretaries of State that Evan Davis, James Naughtie and Sarah Montague, admirable though they are, are not Members of Parliament, and that John Humphrys is not the Speaker? It would be handy if Cabinet members understood the distinction between a BBC studio and the Chamber of the House of Commons.

I am not sure whether the Leader of the House is expecting to have to make time in the House for any more apologies over the next week or so, but perhaps he will consider dividing Prime Minister's questions into 15 minutes for answering questions and 15 minutes for apologising for all the misleading statistics that the Prime Minister has been using and all the questions that he has been dodging. That could include, for example, apologising for using figures from the Office for Budget Responsibility, which Sir Alan Budd said was inappropriate. The Prime Minister could apologise for telling Parliament that violent crime had doubled under Labour, especially as Sir Michael Scholar, chair of the UK Statistics Authority, has made it clear that there is no basis whatever for that assertion. Today's figures show that crime is at its lowest level since records began, thanks to the Labour Government.

The Prime Minister could also apologise for dodging the question—not once, but three times—on whether the Government were going to abolish the two-week cancer guarantee. Can the Leader of the House tell us when the House can expect a proper answer, in this Chamber, on that guarantee—not in interviews to the media or in unattributable briefings from Downing street, but in a clear statement to Parliament about a guarantee that he surely recognises saves lives? Patients, doctors and nurses need to know whether the guarantee is in place and they deserve an apology from the Prime Minister because he has kept them in the dark about it.

Sir George Young: There is quite a lot there to respond to. On the Backbench Business Committee, I welcome the debate that is taking place on Tuesday, but I have to say to the right hon. Lady that it is no thanks to the Labour Government that we are having that Committee at all. At the end of the last Parliament, they consistently refused to make the time available to establish the Backbench Business Committee. If we are in apology mode, it would have been appropriate for her to have apologised for the failure of the outgoing Labour Government to set up that Committee.

[Sir George Young]

I welcome that debate and hope that it will be well attended. There is a serious issue for the House about how we get the balance right between what Ministers can say outside the House and inside the House. The motion rightly refers not only to the past few weeks, but to a period that includes the last Labour Government. I welcome the proposal in the motion that the process should be looked at by the Procedure Committee to see whether we can come up with a sensible concordat that is acceptable to the House and liveable with by the Government, and that enables us to have a set of rules that we can all observe.

On health, if the right hon. Lady looks at the coalition agreement, she will see that much of what was in the Health Secretary's statement on Monday was in that agreement. The proposals had been been mentioned in Health questions and in debates in the House. There was no leak of the health White Paper.

As for the Business Secretary, he went out of his way to explain that there was no policy change. I watched his speech on television, and he made it absolutely clear that he wanted Lord Browne, who is conducting a review, and whose terms of reference were set up by the outgoing Labour Government, to include the option of a graduate tax. There has been no policy announcement. When the Government have a policy on how higher education is funded, the House will be informed and there will be an opportunity to cross-examine the relevant Secretary of State. However, there has been no policy announcement whatsoever on the funding of higher education.

I think that the right hon. Lady will find that Sir Michael Scholar has had an opportunity to admonish those on both sides of the House about misuse of crime statistics. My right hon. Friend the Home Secretary is considering how crime statistics should be collected and published in future, and we are working with the UK Statistics Authority and others to consider the matter carefully. I welcome the reduction in crime—a trend that started in 1995 and has been replicated in many other western European countries—but the level of crime is still too high, and we must drive it down.

The right hon. Lady asked about the cancer guarantee. The revision to the NHS operating framework in June removed targets on the NHS that were without clinical justification. The cancer waiting time targets are clinically justified and have been retained.

Several hon. Members *rose—*

Mr Speaker: Order. A great many right hon. and hon. Members are seeking to catch my eye. In order to accommodate them, I require brevity, a textbook example of which will now be provided by Mr Lee Scott.

Mr Lee Scott (Ilford North) (Con): Thank you, Mr Speaker.

Will the Leader of the House speak to the Home Secretary about bringing forward a Bill to stop illegal clampers, who are responsible for a blight on our country that is spreading like wildfire through all constituencies and causing great grief to constituents?

Sir George Young: I think that my hon. Friend speaks for Members on both sides of the House. At my advice bureau last Saturday, I discovered that the owner of an Indian restaurant who had advised his customers not to park in the car park, where they might be clamped, had been taken to court by the car-clamping firm and sued for loss of trade. Happily, the restaurant owner won the case, but it underlines the need to have another look at the regime that governs car clampers.

Paul Flynn (Newport West) (Lab): When can we have a debate on the lamentable state of the Afghan national army to establish that the threat to the safety of our troops comes not from a single rogue soldier but from an entire rogue army?

Sir George Young: The Prime Minister made a statement on Afghanistan last week. We want to keep the House regularly informed on progress in Afghanistan, and I hope that there will be an opportunity, if not before the House rises, then perhaps when we come back, for a further update on the progress being made, including in relation to the hon. Gentleman's point.

Mr Greg Knight (East Yorkshire) (Con): Is my right hon. Friend aware that the coalition Government have cancelled the proposed 2010 review of the smoking ban? In view of that, may we have an early debate in Government time on the effects that the smoking ban, in its current form, is having on our pubs and clubs, which are still closing at an alarming rate?

Sir George Young: I should have known that that had been announced, but I have to say to my right hon. Friend that I was not aware of it. I will raise his point with my right hon. Friend the Secretary of State for Health and ask him to take the matter up in the appropriate place.

Mr David Anderson (Blaydon) (Lab): Can the Leader of the House explain why we are rushing through the Academies Bill when no consultation has taken place with parents, with governor groups or, in particular, with staff? The consultation period will apparently be during the school holidays when people either will not be in the country or will not be getting paid. Surely there is no need to rush this through, so why is that happening?

Sir George Young: The hon. Gentleman is referring to the Academies Bill.

Mr Anderson: Yes, that's what I said.

Sir George Young: I believe we have offered the House adequate time to deal with the Bill. It will be taken on the Floor of the House and additional time is being made available for Members to discuss it. It has also been through the other place, so there have been opportunities for the public to comment on it since its introduction there.

Andrew George (St Ives) (LD): Will the Leader of the House require a Minister from either the Department for Business, Innovation and Skills or the Treasury to come before the House to answer questions about why the South West of England regional development agency,

which is due to be abolished, has announced this week the halting of vital economic development projects in the European convergence programme in Cornwall in spite of the fact that no UK Exchequer money is required for those projects to proceed?

Sir George Young: I understand the importance of those projects to the south-west, and of course I will make inquiries as to why they have apparently been abandoned, particularly if, as the hon. Gentleman says, there was no call on Exchequer funds to enable them to go ahead.

Ian Paisley (North Antrim) (DUP): Eighty hours of rioting; a pipe bombing; three police officers shot; 80 police officers injured; the attempted hijacking of the Belfast to Dublin express railway—when will the Secretary of State for Northern Ireland come to the Dispatch Box to speak about what he and the House can do to help bring calm back to the streets of Northern Ireland, and when will the Select Committee on Northern Ireland Affairs meet to help address those matters so that the House can play its part in the affairs of part of the United Kingdom?

Sir George Young: I understand the anxiety that the hon. Gentleman has expressed. The violence that has happened in the past three days is wholly unacceptable and has no place in a modern, progressive society, and the people responsible must not be allowed to drag Northern Ireland back into the past. Many of the issues that he refers to are of course devolved and not the responsibility of the Secretary of State. It is important that those who try to create and exploit community tensions are not allowed to put the future at risk. I welcome the statement made by First Minister Peter Robinson, who has said:

"There is no excuse and no place for violence in a civilised society".

The hon. Gentleman will also have seen the statement by my right hon. Friend the Secretary of State, who said:

"The Chief Constable and the Justice Minister should be justly proud of the incredibly brave men and women of the PSNI who held the line last night in the face of a sustained and violent assault".

Tracey Crouch (Chatham and Aylesford) (Con): We recently had an excellent debate in Westminster Hall on supporting carers, but sadly had time only to touch on the important issue of dementia. Given that one in three people will die from dementia, will the Leader of the House consider holding a debate specifically on supporting the social care and welfare of those suffering from it?

Sir George Young: I am grateful to my hon. Friend and congratulate her on her election as vice-chair of the all-party group on dementia. Raising the quality of care for people who suffer from dementia is a priority for this Government. Some £8.2 billion is being spent, but we need to ensure that it is spent effectively and that we break down the barrier that has often existed between health on the one hand and social care on the other. We are in the process of scrutinising the provision of dementia services across the country. The results will be available in October, and those data will drive forward action to accelerate improvements in dementia care.

Mary Creagh (Wakefield) (Lab): On 5 July, the Government announced through a written ministerial statement a further £1 billion of in-year cuts to education capital. I asked the Education Secretary about that on 12 July, and I have found out that last night, the Department published the detail of those cuts on its website. May we have a debate in Government time before the recess so that all hon. Members can work out and talk about the effects that those education capital cuts, which are being made to fund the free schools programme, will have on the education of the children in our communities?

Sir George Young: I understand that there will be a debate in Westminster Hall next Wednesday on Building Schools for the Future, so I hope the hon. Lady will have an opportunity to raise her concern. In the meantime I will alert Ministers in the Department for Education of the particular concern that she has mentioned.

Dr Phillip Lee (Bracknell) (Con): May I ask the Leader of the House for a statement on the progress of clearing Parliament square of the demonstrations?

Sir George Young: I am grateful to my hon. Friend for that question. As he knows, the Mayor of London is taking action to clear the square, and I understand that the decision of the Court of Appeal will be announced tomorrow. Any enforcement action will then be down to the enforcement officers of the court. We have to strike a balance between the right to protest and the imperative to maintain what I think is one of the key heritage sites in the whole world, namely Parliament square, with the Houses of Parliament, Westminster abbey, Whitehall and the Supreme Court around it. My own view is that the square is defiled by a shanty town and we should try to restore it to the green that used to be there.

Meg Munn (Sheffield, Heeley) (Lab/Co-op): Three weeks ago, in response to a question, the Leader of the House spoke about meetings between the Deputy Prime Minister and Sheffield Forgemasters. I have received a letter from the Deputy Prime Minister, who is keen to get rid of any confusion. Has he also contacted the Leader of the House to enable him to correct the record? When does the Leader of the House expect the Deputy Prime Minister to correct what he said about meeting the chief executive of Sheffield Forgemasters?

Sir George Young: I understand that there has been a meeting between the two. Next week there is an Adjournment debate on Sheffield Forgemasters, which would be the appropriate time to raise the concern that the hon. Lady has just uttered.

Dr Julian Lewis (New Forest East) (Con): A few days ago, there was a report that a Cabinet Minister, no less, had compared the cost of Britain's future aircraft carriers with the number of children who could be educated worldwide for that money. May we have a statement from the Secretary of State for Defence, explaining the role of Britain's armed forces in general, and the Royal Navy and aircraft carriers in particular, in humanitarian intervention worldwide and the protection of our interests at home and abroad, and the fact that the Royal Navy has an important function to fulfil that should not be offset against other causes, no matter how worthy?

Sir George Young: My hon. Friend makes a forceful point. He knows that traditionally several debates take place about our armed forces, which will now be the responsibility of the Backbench Business Committee. He will have heard that I have not announced a debate on the particular important issue that he raised between now and the summer recess. Doubtless, the Chairman of the Backbench Business Committee has noted that as a bid and there will, of course, be opportunities to cross-question Defence Ministers, though I see that will not happen until 13 September.

Steve Rotheram (Liverpool, Walton) (Lab): Given that I failed to get an Adjournment debate, will the Leader of the House allocate time to discuss the widespread concerns raised by hon. Members about the structure, scope and future funding of the independent panel reviewing documentation about the Hillsborough disaster in 1989?

Sir George Young: I am sorry that the hon. Gentleman has not been successful in getting an Adjournment debate on that subject. I can only suggest that, if he continues to apply, his number may come up one week. I am afraid that I cannot find time between now and the summer recess, but if Tuesday 27 July follows the usual pattern, and there is an Adjournment debate during which various subjects are raised, he may find it possible to share his concern then and press Ministers for the information that he wants.

David Tredinnick (Bosworth) (Con): Has the Leader of the House considered the possibility of legislation if the appeal about Parliament square fails? What will he do about the lone protester? Would not it be better if Parliament had authority over Parliament square?

Sir George Young: I think that somebody made the same suggestion 10 years ago, and we legislated but it did not work. That is why we are where we are. It makes sense to await the Court of Appeal decision before considering fresh legislation. In the meantime, Mr Haw is allowed to continue to protest, so long as—speaking from memory—he remains on the pavement. Whether it would be appropriate to legislate just to deal with Mr Haw is something on which the House would like to reflect.

Mr Dave Watts (St Helens North) (Lab): Given that the Minister for Police told the House that he did not expect any police officers' jobs to be lost through the cuts but that the former chief constable of Gloucestershire is reported to have said that thousands of police officers' jobs will be lost as a result of the cuts, may we have a debate on the Government's dodgy assessments?

Sir George Young: With respect to the hon. Gentleman, we had a debate yesterday on precisely that subject. My right hon. Friend the Minister for Police drew attention to the failure of the previous Home Secretary—now the shadow Home Secretary—to make any commitment about retaining police numbers. He was asked on 20 April if he could guarantee that there would no reduction in police numbers and he said no.

Mr Edward Timpson (Crewe and Nantwich) (Con): So that areas already hard hit by the Labour party's broken promises on moving public sector jobs to the north do not suffer any more, may we find time for a debate on the distribution of Royal Mail jobs, particularly when we have a melée of a debate about privatisation, so that the 600 workers for Crewe's second largest employer get the attention that they deserve?

Sir George Young: I commend my hon. Friend's actions to protect local jobs and I have read his comment on ConservativeHome, which records his concern about the Crewe sorting office. I have no time for a debate between now and the summer recess, but legislation about Royal Mail has been trailed in the Queen's Speech, and that may give him an opportunity to press for the assurances that he seeks.

Caroline Lucas (Brighton, Pavilion) (Green): There are growing concerns that, despite declaring himself the fourth Minister in the Department of Energy and Climate Change as a symbol of his personal commitment to tackling climate change, the Prime Minister is already looking for a pretext to row back from the obligation to get the renewable heat incentive up and running by next April. Will the Leader of the House ask the Prime Minister whether he will come to the House to make a statement to assure us all that there is no rowing back, and that the obligation will be fulfilled? It is crucial for our renewable energy target.

Sir George Young: I think that that question would be more appropriately put to Ministers at the Department of Energy and Climate Change, who, I hope, can give the hon. Lady the assurance that she seeks. They will be before the House on Thursday 9 September.

Mr Bernard Jenkin (Harwich and North Essex) (Con): May I ask my right hon. Friend for a debate, for which legislation clearly provides, but that he seems not to wish to have on the Floor of the House, namely on motion 16 on the Order Paper about the new members of the Electoral Commission? Motion 8 on delegated legislation in his name seems determined to remove the subject from the Floor of the House of Commons, where it was originally intended to be debated. May I invite him to reconsider so that we can have a debate about the new Electoral Commissioners?

Sir George Young: I am grateful to my hon. Friend. Clearly, we want to make progress on appointing the new members of the Electoral Commission. Of course, the House is entitled to scrutinise the proposals that are on the Order Paper, either by debate on the Floor of the House or through the appropriate Committee.

Kate Hoey (Vauxhall) (Lab): Given that many people in the country are having to take a pay cut, and that the coalition Government wish to reduce the cost of politics, will the Leader of the House look at early-day motion 453?

[That this House recognises that the economic situation means that many people are taking pay cuts; acknowledges that the Government has stated that it wants to reduce the cost of politics; appreciates the work that Select Committees do but notes with alarm that there are 35 such committees where the Chair can receive £14,582 a year on top of their Parliamentary salary, a total of £510,370 a year; and believes that this cost is becoming untenable.]

Will the right hon. Gentleman consider holding a debate on the fact that Select Committee Chairs are paid £14,500 over and above their MP's salary? No matter how good a job Select Committees do, that might be an opportunity to review whether such payments are tenable under the current economic circumstances.

Sir George Young: We had quite a long debate about that in the previous Parliament, and the House decided that it made sense to have an alternative career structure in the House so that the Government did not hoover up all the talent on the Back Benches. A salary for Select Committee Chairmen was seen as part of the development of an alternative career. We have no plans to change the remuneration of Select Committee Chairmen. Speaking from memory, I think that that is now a responsibility of the Senior Salaries Review Body.

Elizabeth Truss (South West Norfolk) (Con): Will the Leader of the House find some way to mark the first motion that the Backbench Business Committee, which is an achievement of the Government's, has tabled?

Sir George Young: I am grateful to my hon. Friend. I propose to respond to the debate myself—I am not sure that that goes quite as far as she hoped. It would be impertinent of me to suggest that you might want to be in the Chair to mark that historic occasion, Mr Speaker. If that is an impertinence, I apologise. However, it is important that Back Benchers of all parties show support for the concept of a Back-Bench Committee choosing its own subjects, and demonstrate that support by attending and seeking to take part in the debate.

Mr Speaker: The Leader of the House is never impertinent, and I can tell him and the House that nothing would more readily warm the cockles of my heart than being in the Chair for the debate.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): For understandable reasons, the Leader of the House may not be aware of the growing international concern about the health of democracy in the Maldives. Opposition Members of Parliament there have been arrested, the judiciary are on strike and the army has been deployed on the streets of the capital. Will he speak to colleagues in the Foreign Office and invite them to make a statement—written or otherwise—on what they are doing to encourage a return to proper democratic processes in the Maldives?

Sir George Young: The hon. Gentleman makes a serious point about what is happening in the Maldives. I will communicate with the Foreign Secretary and see whether there is any way he can communicate to the House the action that the Government are taking in response the serious concerns that he expresses.

Robert Halfon (Harlow) (Con): Has the Leader of the House seen early-day motion 454 on the cost of Government conferences?

[That this House notes that the Department for Work and Pensions spent £115 million on management conferences and external meetings between 2000 and 2010; further notes that most departments have refused to supply similar figures in answer to written questions, arguing that statistics on conferences are not collated centrally and could be obtained only at disproportionate cost; believes that the British public have a fundamental right to know how their taxes are spent by Government departments, and that Freedom of Information requests are being sent to every department which has refused to answer; and finally notes that the £115 million spent by the Department for Work and Pensions under the previous administration on management conferences and external meetings appears to be a gross waste of taxpayers' money, given that the public debt increased to over £900 billion in early 2010.]

May we have an urgent debate on Government waste, given that the Department for Work and Pensions revealed to me in a written answer that it spent £115 million going to conferences in the past 10 years?

Sir George Young: I am grateful to my hon. Friend for identifying areas in which central Government can reduce the cost of administration. I see that his early-day motion does indeed identify some very large sums of money that have been spent on conferences and external meetings. I will communicate with my right hon. Friend the Minister for the Cabinet Office and Paymaster General and get a response on the issues my hon. Friend raises.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): We have heard warm words from both coalition parties about mutualism and how to involve communities. Will the Leader of the House find time for a debate on the role of football and other supporters trusts, and the Government's attitude towards them, given the uncertainty in the written answers I have so far received from the Department for Culture, Media and Sport?

Sir George Young: I am sorry to hear of the uncertainty to which the hon. Gentleman refers, and I will of course contact my colleagues at DCMS to see what they can do to resolve it.

Mr Dominic Raab (Esher and Walton) (Con): The European investigation order would allow police and prosecutors throughout Europe to order British police to collect and hand over evidence. Fair Trials International and Justice are concerned that the measure would put great pressure on our hard-pressed police forces. Britain has until 28 July to decide whether to opt in or, like Denmark, to opt out. Will the Leader of the House indicate when the Government's decision will be made, and will the House have an opportunity to debate the measure in advance?

Sir George Young: I am grateful to my hon. Friend. He says that the Government must decide by 28 July what action to take. I will certainly ascertain from the Foreign and Commonwealth Office or the Home Office, whichever Department is the appropriate one, what action they propose to take in response to my hon. Friend's question.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): The Leader of the House may be aware of a campaign that I have been running for about 12 months on the need for a fair deal for service people returning from theatres of war. In that regard, the Government have acknowledged that much more needs to be done. I have applied for Adjournment debates, but so far I have been unlucky. May we have a debate in Government time on this very important issue?

Sir George Young: Again, I am sorry that the hon. Gentleman has been unsuccessful in the ballot, but he may have an opportunity on the last Tuesday before the recess to raise his concern. The Government take seriously our responsibilities under the military covenant. The issue that he raises may fall within that, and I will share his concerns with the Defence Secretary.

Tony Baldry (Banbury) (Con): May we have a debate on the House of Commons Library? I understand that it intends to stock only one copy of Lord Mandelson's new book, which I suspect will have to be chained to the wall. Many colleagues on both sides of the House will want to know which members of the Cabinet of the previous Labour Government thought which other members of the previous Labour Government were mad, bad and dangerous, so will my right hon. Friend ensure that the Library has a sufficiency of copies of the book so that we can all read it before the recess?

Sir George Young: I am grateful to my hon. Friend. We are of course trying to cut the cost of politics, and I am not sure whether buying many copies of Lord Mandelson's book is compatible with that policy. I was interested to read today in *The Guardian*, which costs a lot less than Lord Mandelson's book, this paragraph:

"Darling told ..Brown...he was being 'ludicrously over-optimistic, not only about growth prospects, but also about Britain's ability to support such a large and expanding deficit'".

I entirely agree that all Members of the House should be aware of that and other relevant paragraphs.

Glenda Jackson (Hampstead and Kilburn) (Lab): Yesterday during Prime Minister's questions, the Prime Minister, in common with all Ministers in his Government, presented an image of housing benefit claimants living in vast properties and paying rents of £1,000 a week. He and the Government must know that nothing could be further from the truth. May we please have an urgent debate in Government time on the Government's monstrous housing benefit proposals? If they are not reconsidered, they will not save any money but they will certainly put thousands of families on the street.

Sir George Young: I understand the hon. Lady's concern. As a former London Member, I know the price of rents in the city. I am not sure whether she was at Communities and Local Government questions, which has just concluded, but I understand that London MPs have been offered a meeting with the Minister for Housing to discuss exactly the issues she raises. I very much hope that she can attend that meeting.

Mr Mark Spencer (Sherwood) (Con): I hope the Leader of the House agrees that a modern Parliament should be family friendly. When will he be in a position to publish the dates of the Christmas and February breaks so that those of us who have children can align our breaks with school holidays?

Sir George Young: I am grateful to my hon. Friend. He makes an ambitious request, because it was only a few minutes ago that I announced the dates of the summer recess and that of our October return. I understand his impatience. We want to give the House and those who work here certainty on the dates, and I will announce the dates of the Christmas recess as soon as I can.

Mr Phil Woolas (Oldham East and Saddleworth) (Lab): The Leader of the House is an admired Member of the House, and he acknowledged this morning that crime fell under the Labour Government. I am very grateful to him for putting that matter right, but he also said that Sir Michael Scholar had admonished the Prime Minister for misrepresenting the crime figures. What action does he intend to take on that? Is he embarrassed by the Prime Minister's mistake, or are we to assume that there is a deliberate strategy to misrepresent independent statistics?

Sir George Young: I return the compliment: the hon. Gentleman too is a much-admired Member of the House. If he looks at exactly what I said in response to the right hon. Member for Doncaster Central (Ms Winterton), he will see that I did not use the words he says I used. He very much paraphrased what I said, if I may say so. I believe I said that Sir Michael Scholar had admonished both sides of the House for misuse of statistics.

In response to the hon. Gentleman's question, I would say that the credibility of crime statistics is an issue. At various times, various parties have used whichever set of statistics has best suited their case. In order to bring that debate to a satisfactory conclusion, my right hon. Friend the Home Secretary is engaged in a dialogue to find an agreed set of statistics that commands public confidence and represents what is happening in the real world.

Andrew Stephenson (Pendle) (Con): Will the Leader of the House grant a debate on companies that buy up freeholds for properties, and then use clauses within them to force all leaseholders to insure their properties through a sole provider at an extortionate rate, or buy out the freehold? That is becoming an increasing problem in my constituency, particularly in the town of Nelson, where companies are buying up old ground rents, invoking those clauses and sending threatening letters to my constituents.

Sir George Young: I am grateful to my hon. Friend, who raises an important issue. He will know that when leaseholders have reason to doubt the reasonableness of an insurance premium, they have a right to go to the leasehold valuation tribunal, which can resolve the matter. In the meantime, he might like to refer his constituents to Lease, which is an independent, Government-funded organisation that gives advice to leaseholders who face the sorts of problems facing his constituents.

Keith Vaz (Leicester East) (Lab): After the tragic events in Cumbria and Northumberland, may we have a debate on firearms? As the Leader of the House might know, this week the BBC obtained statistics showing that 1,000 under-18s have shotgun licences, and that people as young as 10 can obtain one. When can we have a debate on that important issue?

Sir George Young: After my right hon. Friend the Home Secretary made her statement on Cumbria, she indicated that it would be appropriate to have a debate on firearms legislation. I think it would make sense to await the outcome of the police report on the Cumbrian incident, but I hope a debate on firearms will be possible when we have all the relevant information.

Mr David Davis (Haltemprice and Howden) (Con): Will the Leader of the House reconsider his answer to my hon. Friend the Member for Esher and Walton (Mr Raab)? The European investigation order allows foreign authorities to give instructions to the British police and allows foreign police forces to operate within the United Kingdom. That is a matter for decision by the House of Commons, not simply for notification by a Department of State.

Sir George Young: I understand my right hon. Friend's concern. I think I said in response to my hon. Friend that I would contact the relevant Department and see what action the Government propose to take or recommend to the House before 28 July, which I understand is the operative date.

Ian Lavery (Wansbeck) (Lab): The whole House is fully aware of the Government's vehement opposition to quangos. Will the Leader of the House make a statement on how many quangos and super-quangos will be established as a result of the announcements on the NHS and education, and of all announcements during the Budget and since?

Sir George Young: I am not sure whether the hon. Gentleman is referring to quangos or commissions, but it is certainly the Government's intention to end up with many fewer quangos than we inherited from the outgoing Government—and quangos that cost a lot less.

Philip Davies (Shipley) (Con): May I echo the call from my right hon. Friend the Member for East Yorkshire (Mr Knight) for a debate on the effect of the smoking ban on pubs and clubs? The Government are pushing a freedom Bill through Parliament, and I hope that my right hon. Friend the Leader of the House will use his influence to ensure that the freedom of people to smoke in public places, and of pubs and clubs to allow people to smoke on what are their own premises, will be included in the Bill.

Sir George Young: I have to disappoint my hon. Friend. I supported the smoking legislation and I encouraged the Government to remove the exemption for pubs that did not sell food. It was a sensible thing to do and I stand behind that policy. The benefit to public health has been welcome. I will ask my right hon. Friend the Secretary of State about his intentions in relation to the specific issue that my hon. Friend mentioned.

Chris Leslie (Nottingham East) (Lab/Co-op): May we have an opportunity to debate the perplexing decision by the Minister for Housing to remove the powers of local authorities to regulate houses in multiple occupation? Many of my constituents in Nottingham are very worried that the freedom that local authorities have to grant planning permission will now be centralised in the Department—an odd attitude for supposedly localist Ministers to take.

Sir George Young: We have just had an hour's worth of questions to the Minister responsible, and I understand that the issue was raised in that time. The hon. Gentleman may therefore have to wait for another round of DCLG Ministers in order to press the matter.

Mr Peter Bone (Wellingborough) (Con): Motion 7 on the Order Paper invites the House to agree to a summer recess starting on 27 July, which means that we will miss Prime Minister's questions on 28 July. I know that the Leader of the House was intending that the House should rise on 29 July. Has he been approached by the Opposition Whips' office to adjourn on 27 July to avoid the acting leader of the Labour party taking another battering at PMQs?

Sir George Young: I agree with my hon. Friend that my right hon. Friend the Prime Minister is an outstanding performer at Prime Minister's questions and regularly wins the exchanges. We are rising on 27 July partly because—as my hon. Friend will know—those who represent Scottish seats have a different configuration of school holidays, and it was our judgment that we had made sufficient progress to recommend rising on that date as opposed to the original, provisional plans for 29 July. I wonder whether my hon. Friend is planning to oppose the motion—

Mr Bone *indicated assent.*

Sir George Young: I am dismayed to see that.

Steve McCabe (Birmingham, Selly Oak) (Lab): May we have a debate on the role of the private sector in area-wide regeneration projects? In that debate we could discuss why Tory-Lib Dem controlled Birmingham council is spurning just such a project in the Stirchley area of my constituency, risking years of blight and costing us 300 badly needed jobs.

Sir George Young: It sounds to me as though that is an appropriate subject for an Adjournment debate or a debate in Westminster Hall. I believe in localism and local government, and if that is what the local authority wants to do, we should be cautious about second-guessing it here.

Stephen Barclay (North East Cambridgeshire) (Con): Will the Leader of the House find time for a debate following this morning's Care Quality Commission report into out-of-hours GP services, so that we may learn the lessons from the unlawful killing of my constituent Mr David Gray and ensure that EU-qualified doctors working here are both medically competent to use NHS equipment and able to speak English to their patients?

Sir George Young: My hon. Friend raises an important issue, and I suspect that he may have seen the written ministerial statement this morning commenting on the CQC's report. Out-of-hours care needs urgent reform and GPs are best placed to ensure that patients get the care they need when they need it. That is what our health reforms will deliver.

Mr Wayne David (Caerphilly) (Lab): The Deputy Prime Minister has admitted that there was no prior consultation with the devolved Administrations about the date of the alternative vote referendum. As we know, it will clash with the elections for the devolved Administrations. May we have a debate on procedures that might be established to provide an effective dialogue between the Government and the devolved Administrations to ensure that such a mix-up does not happen again?

Sir George Young: I am not sure that it is fair to describe it as a mix-up. The Deputy Prime Minister has been giving evidence all morning to a Select Committee, and I am sure that there was an opportunity to raise this issue. When the AV and boundaries legislation comes before the House, there will be ample opportunity to explore these issues in more depth.

Chris Bryant (Rhondda) (Lab): The Government have said that they want to raise 20% of the money to cut the deficit from tax rises and 80% from budget cuts. The Leader of the House has announced that on Monday at 10 pm without any debate we will agree all outstanding estimates, which is how we decide how much money we will give to each Department. If four times as much money is to come from cuts as from tax rises, will he ensure that we have four times as much time to debate those cuts, and on amendable motions? The experience of the last two weeks has shown that when cuts are pushed through with more haste than is strictly speaking necessary, the House does not carry the nation with it. Also, which estimates are yet outstanding and to be agreed on Monday?

Sir George Young: If the hon. Gentleman looks at Standing Order No. 55, he will see that that is the procedure under which we deal with all outstanding estimates. I agree entirely that the House should have adequate opportunity to question the Government on spending decisions. We have the Treasury Committee, the departmental Select Committees and debates on the Budget. We may also have debates on any public expenditure decisions that are taken. If the hon. Gentleman has better ways to hold the Government to account on financial measures, I would be interested to hear from him. In the past, we may not have spent enough time looking at such issues; perhaps we should refocus on them

Diana R. Johnson (Kingston upon Hull North) (Lab): I am concerned about the hasty way in which legislation is moving through the House. Have the coalition Government now abandoned pre-legislative scrutiny and evidence sessions before Bills go to Committee?

Sir George Young: The answer is no, but, as she will know, if a Bill is taken on the Floor of the House, there is no slot for public evidence taking. I want to publish draft Bills in this Session to be considered in the next Session, but I hope she will understand that with a newly elected Government the opportunities for dealing with draft Bills in the first Session are not as much of an option as they will be later in the Parliament.

Barry Gardiner (Brent North) (Lab): May we have a debate on sanctuary, so that Home Office Ministers can explain why Tamil Christians on pilgrimage to Walsingham on 11 July were targeted by the Home Office and arrested and detained, despite the fact that the individuals concerned had already been accepted under the legacy casework for consideration by the Home Office and that fact had been notified to their Member of Parliament?

Sir George Young: I am cautious about commenting on the particular incident to which the hon. Gentleman refers, but I understand his concern. I will contact Home Office Ministers later today to see whether I can get a reply to the issue he has just raised.

Phil Wilson (Sedgefield) (Lab): As a result of all the changes in the Budget, and those announced over the last few weeks, to health, education and local government, how many commissions are being set up in the next few months?

Sir George Young: If the hon. Gentleman tables a question, I am sure that he will get an adequate answer—*[Interruption.]* I think I have already answered a question in relation to the coalition agreement, and he will find an answer that addresses the commissions set up there. If he tables an appropriate question about any commissions set up after that, I am sure he will get an accurate and prompt reply.

Natascha Engel (North East Derbyshire) (Lab): Thank you, Mr Speaker, for giving me the opportunity briefly to respond to the bids for time made by Members to the Backbench Business Committee. We will shortly be producing an outline of how we intend to hear bids in public from Back-Bench Members for slots of time that the Committee has for them.

I want to mark the historic event next Tuesday and encourage all Back-Bench Members to put their names down to speak. It is historic, because it will be the first time that Back-Bench Members will have chosen a subject for debate in Back-Bench time. I hope that the hon. Member for South West Norfolk (Elizabeth Truss) will be the first to put her name down to speak, and I would like the Leader of the House to confirm his answer to her in which he said that he will be present at, and respond to, that debate, which will hopefully be opened and closed by Backbench Business Committee members. We hope to start at seven and finish at 10, but obviously that remains to be seen. We will be considering the pre-recess Adjournment debate and the defence days, which are now part of Back-Bench time. Again, however, I would be grateful if the Leader of the House could confirm that he will be present to respond.

Sir George Young: I welcome how the hon. Lady is approaching her new and important responsibilities as Chair of the Backbench Business Committee, and commend the way of proceeding that she has just outlined in encouraging Members to submit their suggestions to her Committee. I am more than happy to confirm what I said earlier—that I look forward to responding to the motion in her name and those of her colleagues—and I very much hope that this is the beginning of an important dialogue between the Government and the House and that the time will be used to enable the House to hold the Government to account more effectively.

Mr Speaker: I am grateful to the hon. Member for North East Derbyshire (Natascha Engel) and the Leader of the House.

Point of Order

12.21 pm

Fiona Mactaggart (Slough) (Lab): On a point of order, Mr Speaker. Is it in order for a Minister to mislead the House, as the Under-Secretary of State for Communities and Local Government, the hon. Member for Bromley and Chislehurst (Robert Neill,) did earlier when he claimed that no local authority had faced more than a 2% cut? Many authorities have done, including my own, and particularly Labour authorities.

Mr Speaker: I am grateful to the hon. Lady for her point of order. To accuse a Minister of misleading the House is usually a hazardous enterprise, and it would be advisable for her to add the word "inadvertently" before the word "misleading". To charge somebody with deliberately misleading the House, which is the implication of what she said, is a serious matter. It might well be that—one must assume this—if there was any misleading, it was inadvertent. If she would add that in, I will happily respond.

Fiona Mactaggart: Mr Speaker, perhaps you would like to invite the Minister to explain to the House how the inadvertent misleading occurred. The House has been misled. I am sure that he did not intend to mislead it, but he said something that is factually not true.

Mr Speaker: I am grateful to the hon. Lady for accepting the amendment I tabled—by way of a manuscript amendment. She is a very experienced hand—I will not say she is an old hand, because that would be ageist, wrong, unfair and discriminatory—and she and I entered the House together. She has raised under the guise of a point of order an interesting point of debate, and I have a feeling that she will want to share it with the people of Slough.

BILL PRESENTED

Superannuation Bill

Presentation and First Reading (Standing Order No. 57)

Mr Francis Maude, supported by the Prime Minister, the Deputy Prime Minister, Mr Chancellor of the Exchequer, Secretary Theresa May, Secretary Liam Fox, Mr Secretary Ian Duncan Smith, Mr Secretary Lansley and Nick Hurd, presented a Bill to make provision for and in connection with limiting the value of the benefits which may be provided under so much of any scheme under section 1 of the Superannuation Act 1972 as provides by virtue of section 2(2) of the Act for benefits to be provided by way of compensation to or in respect of persons who suffer loss of office or employment.

Bill read the First time; to be read a Second time on Monday 19 July, and to be printed (Bill 58) with explanatory notes (Bill 58-EN).

Finance Bill

[3rd Allocated Day]

Further considered in Committee (Progress reported, 13 July)

[Mr Nigel Evans *in the Chair*]

Clause 4

Rates of insurance premium tax

12.24 pm

Mr Christopher Chope (Christchurch) (Con): I beg to move amendment 18, page 2, line 23, leave out '"6 per cent"' and insert '"5 per cent in the case of personal health insurance, and 6 per cent in any other case"'.

The First Deputy Chairman of Ways and Means (Mr Nigel Evans): With this it will be convenient to discuss the following: amendment 19, page 2, line 23, leave out '"6 per cent"' and insert '"5 per cent in the case of motor insurance, and 6 per cent in any other case"'.

Amendment 15, page 2, line 26, at end add ', subject to a report having been laid by the Secretary of State containing an assessment of the consequences of the changes in subsection (1) on consumers and the insurance industry.'.

Amendment 48, page 2, line 32, leave out subsection (4).

Mr Chope: The amendments aim to tease out from the coalition Government and, in particular, the Exchequer Secretary, who is responding to this debate, what the Government's attitude is towards people who do the right thing and try to relieve the burden on the public sector and the national taxpayer. Although it would be wrong to suggest that the inspiration for the amendments came from the Secretary of State for Transport, he was on to an important principle recently when he said that if a pensioner has a bus pass but can afford to pay their fare, they should not use the pass but pay the fare themselves and thereby relieve the local taxpayer of the costs consequent upon the use of that subsidised bus pass. It is a subsidy of general application—it goes to people irrespective of their means and ability to pay.

We know that quite a lot of people choose to buy medical and personal health care in the private sector without burdening the state and the taxpayer. If those people choose to do that through personal health insurance, this Budget will increase the financial penalty on them. In other words, it will be a disincentive to people taking responsibility for their own personal health care through personal health insurance. Many years ago, it was the policy of the then Conservative Government that those who subscribed to personal health care insurance should have their subscriptions tax deductible. That was based on the worthy principle that, if we did that, we would encourage more people to take responsibility for their own health care. We have moved a long way from that now.

Mr Peter Bone (Wellingborough) (Con): My hon. Friend is making a powerful speech, and I am grateful to him for giving way. Does he support the Government's aim of coming up with suggestions that will reduce the

[Mr Peter Bone]

charge to the taxpayer? Obviously, if more people take private medical insurance, there is less of a burden on the state and it is a win-win situation for the Government.

Mr Chope: Almost every contribution I make in the House is designed to try to help the Government and often to try to get better value for money for taxpayers.

If we were under any illusions about how important and critical the situation is in relation to health care, we should bear in mind that yesterday, in response to a question from my hon. Friend the Member for Pendle (Andrew Stephenson) about the NHS White Paper, the Prime Minister said that

"when we look at the NHS, we know that there are expensive drugs coming down the track, expensive treatments and an ageing population, and more children born with disabilities and living for longer. There are cost pressures on our NHS that mean that even small real-terms increases will be an heroic thing to achieve."—[*Official Report*, 14 July 2010; Vol. 513, c. 950.]

My hon. Friend the Member for Wellingborough (Mr Bone) is making exactly the same point. I am trying to tease out from my hon. Friend the Exchequer Secretary whether it is the Government's policy to try to encourage people to take responsibility for their own health care, if they can so do. This is not the subject of an amendment, but similarly, if people can afford to educate their children in the independent sector, should they not be encouraged so to do?

12.30 pm

I am concerned that, in this country, we cannot afford to fund all our health care needs out of taxation. If we look at those countries that have better health care systems that are also better funded collectively than ours, we see that many of them—I am thinking particularly of Australia—are in countries where a high proportion of the money going into personal health care comes from individuals, rather than taxpayers. If we want more expenditure on health, why do we not incentivise people to take on more responsibility themselves?

It might be said, "Well, these are the services that are available, and people shouldn't be encouraged to buy their way out of the queue," but a situation is rapidly developing where what are described as low-priority health services are affected. For example, the local primary care trust in my area has refused to fund an operation—I think that it is called a grommets operation—for two young children who have difficulties with their learning as a result of their ear condition. The primary care trust has refused to fund those operations on the grounds that they constitute low-level care. Indeed, I met somebody during the general election who, according to the clinical advice that he had received, needed a cataract operation at the Royal Bournemouth hospital. However, that operation was not being funded, because the cataracts were not sufficiently severe.

What is happening now is that the public availability of health care that is funded by the taxpayer is being reduced. An increasing number of people may wish to insure themselves against the possibility that they might need access to such health care in the independent sector. Indeed, one might also mention physiotherapy. Any number of people who suffer sports injuries then seek to get physiotherapy on the NHS, but they find that if they can get it at all, the wait is likely to be so long that the benefit will be significantly less.

A large number of individuals in this country insure themselves with personal health insurance. If the Government think that that is a good and responsible thing to do—it is one way in which people choose to spend their money, perhaps instead of spending it on expensive holidays abroad or whatever else—we can perhaps hear about that today. However, if the Government's purpose is to encourage people to supplement the health care that is available from the state, why are we proposing to increase the insurance tax on the premiums that they pay?

One might also talk about what happens in dentistry. It is almost impossible now to access free dentistry on the NHS. Indeed, I understand from the British Dental Association that, in terms of value, about half the dentistry in this country is practised in the private sector, and a lot of that is funded through insurance. If we want a nation that prides itself on having about the worst dental care of anywhere in the world, we are heading in the right direction. I am sorry that my hon. Friend the Member for Mole Valley (Sir Paul Beresford) is not here to supplement my points about that, but there is an increasing crisis in dentistry in this country, because of a lack of resources that are funded by the taxpayer. In moving the amendment, I am not asking that those taxpayer resources should be greater; rather, I am trying to ensure that proper incentives are in place to encourage people to take responsibility for such insurance themselves.

Mr John Redwood (Wokingham) (Con): I am delighted by the case that my hon. Friend is making. As he is suggesting, people who insure for their health needs are paying twice, because they are also paying their contribution to the NHS, thereby helping doubly. Does he therefore think that keeping the tax rate at 5% is enough, or would he really rather it were lower?

Mr Chope: My right hon. Friend asks a pertinent question. I would prefer the tax to be much lower—indeed, perhaps there should be no tax at all—for particular insurance premiums. However, in order to try to carry as many people with me as possible in this debate, I thought that I would limit my ambition, by saying, "Why don't we not increase the tax from 5% to 6% for specific types of insurance premiums?"

I have picked out a couple of examples of that, and I will come to another in a minute, but obviously the principles could apply much more widely. For example, many people are now taking out insurance against their long-term care needs. Indeed, the Conservative party said in its manifesto that for an £8,000 premium, a family would be able to secure themselves against the cost of having to fund long-term care. I do not know whether such a premium, if it were paid, would be subject to insurance premium tax, but perhaps my hon. Friend the Minister will be able to tell us about that. At the same time, perhaps he can let us know when he expects that part of the Conservative manifesto to be brought before the House for implementation in legislative form.

The principle of insurance is one that most Conservatives—most of my constituents—applaud. People can either self-insure, which means that they take the

risks themselves, or they can pool that risk by buying an insurance policy, which many people do, by buying life insurance, pension insurance and so on. In the case of pension insurance, we are talking about incentives for saving; in the case of life insurance, we are trying to encourage people to ensure that if they die prematurely, their dependants have some support and are not wholly dependent on the state. Those examples do not fall within the scope of my amendments, but they would be covered by amendment 15, which goes rather wider. However, it is important that we should have this little debate, to try to tease out a bit more from the Government on these important issues.

Turning to my amendment 19, let me say that we have a real problem with motor insurance in this country. For young people, the price of motor insurance is almost prohibitive. Indeed, it is so high that people cannot afford to buy it. Instead, what happens is that young people might get their parents to put them on their policies, if they are lucky enough to have parents who will do so—sometimes in quite dubious circumstances, as we have been reading in the newspapers recently—but quite often they will take a risk and drive uninsured. I regard driving without insurance as an extremely serious motoring offence. It is reckless, and those who do pay for their motor insurance end up having to pick up the bill for those who cause accidents and injuries as a result of not buying insurance.

Lorely Burt (Solihull) (LD): I am following the hon. Gentlemen's argument, but when he says that the cost of insurance for young people is prohibitive, does he honestly believe that 1% either way is going to be a significant factor in a young person's decision on whether to buy motor insurance?

Mr Chope: Well, 1% is 1%. I am sorry that the hon. Lady seems to be rather unsympathetic to the plight of people who are trying to get motor insurance. Lots of young people need a car to get to work. They find the cost of motoring increasing all the time and they find the cost of insurance also increasing, yet the proposal before us is to increase that cost further—not massively further, but to increase it nevertheless.

Chris Leslie (Nottingham East) (Lab/Co-op): As I hope to be able to say in my contribution later, I agree with the hon. Gentleman on this point. I am astonished to hear the comments coming from the Liberal Democrats that they do not care about the costs of motor insurance, which, especially to young people, can be £1,000 or more. Will the hon. Gentleman also note the perverse consequences for those who go uninsured? Yes, they might get six points put on their licence if they are caught, but the fine is often just £300 or £400, so they would almost be better off to take the risk and be fined rather than pay the cost of the insurance. That has to change.

Mr Chope: The hon. Gentleman is absolutely right. What he said is no great revelation for young people when they go out and party or communicate with each other via modern means of communication. They know that the risks of getting caught are not that great, and that if they are caught, the consequence will be penalty points on their licence and a fine. They will often be able to pay off the fine over an extended period.

Young people now face very substantial insurance premiums and those from the most deprived areas are often those with the highest premiums. One factor that is taken into account is the postcode. If the chance of someone's car being stolen is high because of where they live or because they do not have garage, the premium will be higher than for someone who perhaps lives in a rural, perhaps law-abiding community. That is an additional problem that these young people face when it comes to motor insurance.

Mr Greg Knight (East Yorkshire) (Con): This tax will hit not only young people, but people of all ages. Does he agree that those arguing that the motor car is a luxury and that taxes on luxuries are quite acceptable are ignoring the real problems that people in rural areas face? For them the motor car is not a luxury but a necessity.

Mr Chope: My right hon. Friend is absolutely right. What he and others are identifying in this debate is an element of confusion in public policy. Compulsory third-party insurance for people who drive cars is a matter of public policy. If such compulsory insurance is required by the law, we are effectively saying as law-makers that it is a good thing to have it. Are we seriously saying as law-makers, "Well, if you comply with the law, we are also going to charge you extra tax for your compliance"? It seems to me that we need more clarity of thought on the matter. If we do not think that insurance is important and necessary, we should remove the requirement for compulsory insurance. I think that motor insurance, and particularly third-party insurance, is not only desirable but essential. If we are to have it, however, why should we also have insurance premium tax on it? In particular, why do we need to increase the insurance premium tax at this time?

The yield from all the increases in insurance premium tax comes to some £400 million a year, but I suggest that the cost ramifications arising from uninsured driving, and the accident and injuries resulting from it, might be on a scale similar to the total yield of the entire increase in insurance premium tax. Because the current system imposes a flat rate on the level of the premium, the higher the premium, the worse the risk and the greater the penalty incurred.

12.45 pm

When the Minister responds, I hope he will let us know whether he has considered alternative ways of raising revenue, if it has to be raised, from insurance premiums. It might be possible to do so by looking at each transaction, or we could have a fixed levy on every annual insurance premium. That would mean that people with the highest premiums would not have to pay the highest amount in tax. I do not know whether those options are being looked at. If the Minister is listening to what I am saying rather than coalescing with the coalition, I hope he will let me know whether any thinking has gone on in this radical Government along the lines that I have suggested—of having a fixed price tax on each insurance transaction rather than relating the tax to the cost of the premium, which, as I have said, militates particularly against the least well-off, living in areas where the premiums are higher because the risks are higher.

Without making a meal of it, I believe that we are debating an important matter of principle, and I am delighted that there are so many right hon. and hon. Members in the Chamber to hear it debated. We look forward to hearing more about amendment 15, which I believe is also a useful one. It is surprising that we do not have such a report as is suggested in the amendment before us now as we consider these issues.

Mr Knight: I do not think my hon. Friend should gloss over this point too quickly. As he has said, this is a percentage tax, so we are effectively saying that a young driver seeking to insure an Escort RS motor vehicle should pay more in tax than a 55-year-old driver of a Bentley.

Mr Chope: My right hon. Friend has particular expertise and knowledge about that particular end of the market. I am sure that the Committee is obliged to him for that information. The point he makes is absolutely correct. If we are thinking in terms of equity and fairness as the guiding words of the day, let us see if we can look again with radical eyes at this whole structure of taxing insurance premiums. Let us see whether the Government accept the amendment today; if they do not, let us see whether they have anything else to put on the table by way of responding positively to the points raised in the debate. We can then decide whether we wish to divide the Committee on this issue or just put down a marker.

Mr Bone: Before my hon. Friend concludes his opening remarks, will he clarify this? I assume that the amendment is not really about whether to have the tax rise or not to have it, because it is very small. Is it more about sending out a signal that the Government want to encourage people to take responsibility and take out insurance?

Mr Chope: Absolutely. I make no apology for declaring my own view, which is that if it could be afforded, it would be sensible to give tax relief on insurance premiums where we think those premiums are for the public good and will result in reducing the burden on the state and the taxpayer. I would like at least to bring in incentives in the form of tax relief, let alone eliminate the insurance premium tax. As I said earlier, I do not think that the latter is affordable in the present crisis. That is why I tabled this very modest proposal in the hope that it will get the Government thinking about alternative means of raising money from insurance policies.

Stewart Hosie (Dundee East) (SNP): I rise to speak to amendment 15 in my name and that of my friends. At face value, the increase in insurance premium tax in the Budget did not cause a huge stir, but as its consequences began to be felt, many representations were made by consumers and the industry. On balance, it is wise that we should have a report on the likely consequences of this tax rise on individuals, families, consumers and the sector. A number of concerns and predictions have been voiced. Eric Galbraith, the chief executive of the British Insurance Brokers Association, said that its research

"demonstrated that businesses and consumers were reducing insurance cover as a result of the recession"

and that

"we are concerned that increases to insurance premiums as a result of IPT could lead to even further underinsurance or even a lack of insurance protection. The last thing people need in a financial crisis is a higher insurance bill".

That makes sense, given that taxes elsewhere, not least VAT, are going up. The insurance industry is worried that increased premiums may tempt people completely to stop insuring their homes, holidays or travel. Already, according to research by moneysupermarket.com, only one in five travellers always cover every trip they take here or abroad.

One consequence of underinsurance or non-insurance is that the number of illegal uninsured drivers is on the rise. According to the Motor Insurers Bureau, they already push up the average car premium for everybody else by £30 a year. If more people are underinsured or have no insurance at all, the premiums of those who pay the minimum third-party insurance will be pushed up even further. That is another burden that people really cannot do with in the middle of this recession, when times are tough. As the right hon. Member for East Yorkshire (Mr Knight) has made clear, in certain parts of the country, where the car is a necessity and people are honest, such premiums will be paid again and again. There will be a lot of hits to the honest insurer as a result of non-insurance elsewhere.

The Association of British Insurers has responded to the Budget by saying:

"Raising IPT is a direct tax increase for the vast majority of people who sensibly protect themselves and their families with insurance. This is regrettable and could have serious unintended consequences if it puts off consumers from protecting their homes, cars, holidays and everyday living."

On uninsured trips, apparently some 2.9 million trips are made each year without adequate cover. Peter Hayman, the director of P J Hayman, expects that number to rise as more people opt to economise and use "free" cover as the cost of IPT increases. Perry Wilson, the founder of Insure and Go, has said:

"Our research suggests that the UK travel insurance industry receives over half a million claims for medical problems a year and nearly 400 000 for lost or stolen baggage. This tax rise will only act as a deterrent to those who sensibly want to insure themselves against these risks".

Of course, the cost of not having insurance in certain circumstances can be extraordinarily expensive.

David Rutley (Macclesfield) (Con): The hon. Gentleman makes an important point about underinsurance, as have other Members. Does he agree that this should not be just about the potential increase in IPT, but should also be about what we can do in terms of product design? Surely the onus should be on insurers to come up with products that help people, particularly younger drivers, to avoid this challenge. For example, they should look at opportunities for pay-as-you-go insurance and other possibilities. The argument is not just about IPT, but is about other product-related challenges and what can be put forward to mitigate the problems of underinsurance.

Stewart Hosie: I am a great supporter of innovative product design, marketing and pricing strategies, and I hope that all those things happen, but we are debating an amendment to the Finance Bill in which the Government are putting up IPT. I shall not strain the limits allowed by the Chair, but shall stick to the amendment and what is in the Bill, while supporting any innovation that the insurance sector, which is massively important in Scotland, might bring forward.

There is a deterrent effect on those who wish sensibly to insure themselves against many risks, and that effect will be enhanced as the cost of insurance rises. There are also specific consequences for individuals. Some 1.2 million people—about one in 20 motorists—regularly drive uninsured, and honest motorists pay the £30 premium I have mentioned, which is likely to go up. If someone is caught driving without insurance, the police are entitled to remove their vehicle from the road and charge them for the cost of transporting, storing or scrapping it. However, some cars may be worth less than the cost of insurance and there will be a burden on the public purse as a result of that removal, storage and scrapping of vehicles if people choose simply to abandon them.

People might also cut corners and opt for the "free" travel insurance offered by credit card companies, which might leave some travellers without the necessary levels of cover and might be costly in the long term. I do not intend to take up much of the Committee's time on this issue, as this is a probing amendment, but this issue is more serious than I had initially imagined. I look forward to hearing the Minister's comments on that last point in particular, because if people decide not to pay insurance premiums and instead settle for the "free" cover offered by their credit cards, they might be underinsured in certain circumstances. Also, business might be driven from the traditional, successful, good insurance companies, and I am conscious of what the net loss of jobs, revenue and profitability in that sector might be. So, putting up IPT will have consequences for the sector, for individuals and for jobs. All these points need to be answered properly and considerable comfort needs to be given that we are not going to turn into a nation that says, "We can't afford insurance; we'll do without it and let other people pick up the tab." I shall listen very carefully to the Minister's reply.

Mr Redwood: My hon. Friend the Member for Christchurch (Mr Chope) has highlighted the two very important and different issues of health insurance and motor insurance. Let me start with motor insurance, which is a legal obligation that is imposed on everyone who wishes to own and drive a car.

Like my hon. Friend, and, I suspect, everyone else in the House, I think it quite right that there should be that obligation. It reminds people that driving a car is a serious business and that they could do considerable damage to others or themselves if they do it badly. It also means that, were someone to drive badly or to be involved in an accident that was not their fault, there would be redress and injured third parties who might need substantial compensation would not be left without it. For all those reasons, we think that car insurance is a very good idea and we accept that it should be a legal obligation.

The coalition Government think that one way of raising more revenue is to increase the tax on that compulsory purchase, but quite a lot of people in the House think it would be better to raise more revenue from the existing level of insurance tax on motor insurance by getting more people to be insured. We are rightly very concerned that, because of the way in which the insurance market works, a significant number of people, particularly younger people, may not be taking out any insurance or may not be taking out proper insurance for their circumstances, and that that places other people at risk and could mean losses that those young people could not afford to pay if they had an accident. That clearly means a loss of revenue for the Exchequer, because those people are not making their contribution by paying their share of insurance tax. We would like the Minister to consider whether better enforcement of the insurance rules could help with his task of filling the coffers and narrowing the deficit. That might be a better route than increasing the tax.

I am sure that the Minister will remind us that we are talking about a 1% increase and that it is quite a modest sum of money. We have been reminded a few times that young people with certain kinds of vehicles, or some young people with any kind of vehicle, can be required to pay a four-figure sum each year for their motor insurance, so we could be talking about £10 or more. The additional increase would not be welcome, because most young people find such sums of money quite large in the first place, and a further 1% would not be helpful.

1 pm

The increase might only be a straw, but the camel's back is already well and truly loaded. The poor old motorist is always at the top of any Government's list when they are rattling the collecting tin and trying to raise more money for a variety of state purposes. I just hope that the Government will reflect on this matter. They will have other opportunities to look at the total burden on the motorist, and they might not wish to consider this particular burden today and therefore immediately grant my hon. Friend the Member for Christchurch's request. I see no sign of the Minister leaping to his feet to welcome the proposal, just and fair though it might be. We know, for example, that the coalition Government are going to look at a fair fuel levy—an escalator that comes down when the price goes up and goes up when the price comes down, to keep fuel prices at a more realistic level.

Claire Perry (Devizes) (Con): In trying to square the circle of how we can raise taxes when there is no money, it is interesting to note that we have not committed to Labour's rise in fuel tax, which was going to add a further £425 million—*[Interruption.]* If you read the small print in Labour's last Budget, you will see that there was a plan to raise an additional £425 million—

The First Deputy Chairman: Order. We are not referring to taxes that are not proposed in the Bill. We are talking specifically about the amendments to the Bill.

Mr Redwood: How wise you are, Mr Evans.

I was making the point that the Minister, in responding to this debate on the insurance premium tax, might assuage some of our grief if he were to say that the Government had looked at the total package of taxes on the motorist and that they were aware that this was yet another example of the piling high of taxes on the motorist. Although this individual tax increase will not be large for many motorists—it will be more penal for young drivers and high-risk drivers—it is none the less an additional burden. Even if the Minister cannot accept the amendment, I hope that he will look at other ways of dealing with the problem of fair motoring taxes.

[Mr Redwood]

Every time something like this happens to motorists—this time, it is the insurance tax levy—they say, "We are being sandbagged again: Where are those better roads? Where is that safer junction? Where is the wish to spend money on improving the flows on the roads so that we can travel in a more fuel-efficient, green manner of which the Environment Secretary would approve?" There never seems to be the money to do that. We know that this bit of taxation on the motorist, like most others, primarily goes not to making better roads but to a wide range of other purposes; it gets lost in the general coffers.

Lorely Burt: A number of speakers today have singled out specific kinds of insurance, but as I understand it, the Bill proposes to increase insurance premium tax on a whole range of insurance products, which we would encourage people to take in a responsible manner. I have every sympathy for young drivers and for other motorists, but why does the right hon. Gentleman feel that we should specifically single out motorists or people who take out private health insurance? Why should those people be specifically excluded?

Mr Redwood: That is what I am trying to explain, while remaining in order on this narrow amendment. The bottom line of my case is that motorists comprise a large category and, when polled, they say that they feel badly done by because they pay a disproportionate amount of tax and do not get much back. It is argued that motorists ought to pay more because they get the use of the roads, which are provided free at the point of use in most cases. It is not like that, however, because the bulk of the taxes levied on the motorist, including this insurance premium tax, are used for purposes other than roads and motoring. That is why motorists feel hard done by.

I hope that the Minister and his colleagues will consider carefully the general category of the motorist. I would love it if he could make a concession to my hon. Friend the Member for Christchurch, but if he cannot, it would help us and the people we represent if he could say that the Government were at least aware of the bad deal that the motorist has been getting in recent years, and that, where possible, they will do something about that. As we have heard, people in rural areas have no choice; they have to use their cars. People in urban and suburban areas also have no choice at certain times of the day or at weekends. People who work antisocial hours clearly need a car. Most MPs need a car, for example, because we still work antisocial hours.

Mr Liam Byrne (Birmingham, Hodge Hill) (Lab): I am following the right hon. Gentleman's argument with some care. He said that motorists get only a limited amount back from the taxes that they put in. Does he therefore support arguments in favour of the greater hypothecation of taxes such as the insurance premium tax, to help to resolve that problem?

Mr Redwood: No, I do not. I am sufficiently in tune with Treasury thinking to know that all Treasuries under any Government hate hypothecation, and I understand the complication. Critics of motoring and cars often argue that motorists are walking off with all these free goods, but people have come up with lots of figures that show conclusively that, in a hypothecated way, motorists get a particularly poor deal. People now look at these issues in such a way partly because the green movement has made them do so. It has now been demonstrated that, calculated in a hypothecated way, motorists put in a lot more than they get back. I do not think that the Treasury should operate all its taxation on that basis, but it does need to take account of the mood and the politics surrounding this question, which we are here to represent.

The feeling of unfairness is now quite extreme among the motoring community, and motorists want to communicate through us the fact that they are often motorists because they have to be. There is no train to take them to the shops, for example. The train might be 2 miles away from their home so, unless they have plenty of time to walk to the station, they need to start their journey in the car and sometimes they might as well finish it in the car as well. There is often no alternative, which is why some 86% of our journey miles are carried out by car, and only some 6% by train. There is a basic necessity, which is why we need to be fair when making any tax proposals affecting motorists.

The case of private health insurance is somewhat different, as I am sure my hon. Friend the Member for Christchurch would agree. I make my declaration: I have no private health insurance, so I am not arguing my own case. I rely on the NHS, should ill health befall me, as I am sure do many other Members. However, I am not saying that some of my constituents are wrong to take out private health insurance. It is still a legal thing to do. Indeed, in a way, I feel that I am cheap-skating at their expense, because they are paying twice and I am paying only once. I pay my taxes, and if something happens to me, I hope to receive NHS care, whereas they contribute to everyone else's NHS care through their taxes—they have no choice, of course, but some of them do it graciously—and then make the additional choice to pay for their own insurance. There is a double advantage: more money comes into the health sector, but when those people become ill they make no claim on the health service, even though they contribute to it.

My hon. Friend the Member for Christchurch is making a reasonable point. Given that it is not illegal to have private insurance, and that those who have it help to eke out NHS funds, should we be taxing it more? That is a very good question to raise. I shall make no stronger statement than that, but it will be interesting to see how the Treasury responds. After all, on this side of the House, we are all now big society fans and advocates—*[Interruption.]* Well, practically all of us, perhaps. There might be one or two of my right hon. and hon. Friends who are not so enthusiastic about it, but I am; I think it is a great idea. The essence of the big society idea is to harness private money, voluntary effort and charitable activity, and to understand that the state cannot solve all the problems. In a complex, difficult and expensive area such as health care and related social care, we need voluntary and private contributions as top-ups, or in addition to public sector care.

This issue poses a particularly interesting question for Ministers. If they are really serious about the big society idea, do they want to increase the taxes on people who make voluntary contributions and take some of the demand away from public services? Ought

they not to be encouraging people to do such things? I look forward to hearing my hon. Friend the Minister's reply to these nice philosophical questions in this wonderful caring, sharing age of coalition government, in which the big society will require some erosion of the old boundaries between public and private.

Mr Byrne: It is an enormous pleasure to follow the hon. Members for Christchurch (Mr Chope) and for Dundee East (Stewart Hosie) and the right hon. Member for Wokingham (Mr Redwood). The strength of their contributions was in illustrating that the proposals in clause 4 raise a wide range of policy concerns and debates. Hitherto, the House has not had much explanation of the logic or rationale of all the changes set out in the clause. The arguments for some of the proposals are fairly easy to deduce, but the core of the clause is the increase in the standard rate of insurance premium tax, which has not been explained.

The lack of explanation underlines the fact that the Bill is somewhat piecemeal. It is fragmented. It is not a whole Bill; it is not even a half Bill; it is a bit of a Bill. We were told with great fanfare a few weeks ago that the Government were introducing an emergency Budget. The Bill and the clause illustrate in our debate this afternoon that the only emergency was the need to get some pretty difficult changes on to the statute book by the summer, before Liberal Democrat members on the Treasury Bench got cold feet or had, dare I suggest, too many conversations with their constituents.

So the result of that emergency—something that some would uncharitably call a panic—is a Finance Bill with measures such as clause 4 that so far are bereft of logical explanation. The strategy has also produced clause 5, which we shall debate later this afternoon, which withdraws tax legislation without putting anything back in its place. Where there is certainty, the Government in their panic have decided to substitute mystery. So much for the simplification credentials.

The effect of clause 4 on one level, as I have said, is reasonably straightforward. It raises the higher rate of insurance premium tax from 17.5% to 20%. That would appear to be a fairly automatic consequence of the decision to raise VAT to 20%. The higher rate of IPT was introduced in 1999 to prevent a problem called value shifting, whereby some retailers and other producers tried to lower prices of goods and bundle them with insurance policies, for which they redeemed some of the value. I was not sure whether that was some of the financial innovation that the hon. Member for Dundee East was beginning to welcome in his remarks. Perhaps he will say more about that a little later.

Mr Chope: Does the right hon. Gentleman know what proportion of the £400 million yield from IPT proposals is attributable to the increase from 17.5% to 20% and what proportion is attributable to the increase from 5% to 6%?

Mr Byrne: The hon. Gentleman raises an important question. The answer is that I do not know. It is a mystery. The Budget scorecard has a certain number, but of course it has bundled together the revenue that is to be raised from the increase in the higher rate and the increase in the standard rate. I hope that the Minister will be able to enlighten us.

It is possible to deduce why the higher rate has gone up, but it is curious that the Government have chosen to increase the standard rate. We have to assess that decision alongside the decision to preserve exemptions and zero-rating from VAT on a range of goods and services. We were told on Tuesday night by the Economic Secretary that the existing zero ratings and exemptions would be kept in place for the course of this Parliament. That commitment was given to the House on Tuesday night, and we will all watch the Government's adherence to it with a great deal of attention over the next few years. That decision to keep in place a series of zero ratings and exemptions just adds to the mystery of why this standard rate has been singled out for such an enormous rise.

1.15 pm

The hon. Member for Christchurch raised an important point. The Budget scorecard shows that the overall increase in VAT brings about £54 billion into the Exchequer over the course of this Parliament. That is an extraordinary amount of money. Eight billion pounds of that will be paid for by our country's pensioners. The scorecard also shows that a further £2 billion is brought in over the Parliament by the increase in IPT, but we are not told how much will come in from the respective increases in the standard and higher rates. True to form, the Government certainly have not told us what the impact of the IPT increase will be. I would therefore like to say a little about what the House of Commons Library and other sources are able to tell us about the impact of the increase.

I am afraid that one of the groups that will be hit hardest by the increase is, once again, our country's pensioners. That was the group that Liberal Democrat and Conservative Members refused to protect when given the chance by Labour amendments on Tuesday night. We established in Tuesday's debates that pensioners would pay £8 billion in extra VAT. The figure was not challenged by the Government. Today I can tell the Committee that it appears that pensioners will be hit by a further £355 million over the course of the Parliament. The House of Commons Library note—I am happy to release it more widely—allocates the revenue raised from the IPT increase between pensioner and non-pensioner households. I am grateful to the Library for this excellent work. It says that, according to Office for National Statistics figures, pensioners account for about 18% of spending on insurance in this country. The scorecard scores 115, 455, 445, 455 and 455 in increased revenue over this Parliament from the increase in IPT, so the Library estimates that £21 million will be raised from pensioners in 2010-11. Pensioners will pay that without any recompense in the form of extra pension credit or increased basic state pension; those increases do not kick in until a little later in the year.

In subsequent years our pensioners will pay about £84 million a year more in IPT—in total about £355 million over the course of this Parliament. Hon. Members will be concerned about that.

Chris Leslie: My right hon. Friend is making an incredibly important point. Many pensioners in my constituency will be oblivious to the impact that this stealthy tax rise from the Government will have on them, especially as they are diligent in keeping up with

[Chris Leslie]

their contents insurance, buildings insurance and motor insurance. In many ways, the Government are grinding the burden of taxation on their shoulders. My amendment on advertising the increase in IPT was not selected. Does my right hon. Friend agree that the cost of the Treasury's imposition should be more prominently displayed on policy documents so that at least pensioners are aware of what the Government are doing?

Mr Byrne: My hon. Friend raises an extremely significant point. I am sorry that his amendment was not selected. The insurance industry will almost certainly pass on the increased taxes directly to consumers. That has been the history of increases in this kind of tax. So there is a strong case for advertising the increase more widely. I am sure that all of us as politicians will do our level best to make the news known in our constituencies.

Mr Bone: Is the shadow Minister saying now that he would support the private Member's Transparent Taxation (Receipts) Bill—something in which the First Deputy Chairman of Ways and Means had a slight interest in a previous life—which required that receipts showed how much tax and duty had been paid so that they were better advertised?

Mr Byrne: I have not studied the Bill, so I am grateful to the hon. Gentleman for drawing it to my attention. We have had good debates over the past two or three weeks about the need for greater transparency both in economic policy making and in tax policy. The Bill certainly sounds as though it would contribute to that agenda.

The hon. Member for Christchurch raised a number of public policy points. He did not dwell much on the impact of the new charges on low income groups, and I should like to touch on that different policy question. It is important that we debate it this afternoon. The Association of British Insurers has argued for a long time that the tax is regressive. IPT has been raised in the past by Conservative and Labour Governments, and the ABI has been consistent:

"IPT is a regressive tax. It imposes a disproportionate burden on the less well off individuals and the smallest businesses. These are most likely to need the protection of insurance."

Given those arguments, we deserve a full and thorough explanation of the public policy rationale for introducing such taxes.

We have heard about the impact that the tax will have on consumers. The hon. Member for Christchurch did not remind us of his distinguished career as a Transport Minister, but he understands well the impact of higher rates on, for example, car insurance. In the days shortly after the Budget, *The Guardian* told us that the average car insurance buyer would pay about £18 a year more in tax. The AA said that the bill would be slightly higher—at least another 35 quid on an average insurance policy. The right hon. Member for Wokingham spoke eloquently about the impact that the increase will have on young drivers. Some press reports estimated that the bill would rise by only £15, but the intimation in the right hon. Gentleman's remarks, and those of the hon. Member for Christchurch, was that it might be a little higher. Of course the increase comes at a time when car insurance premiums have been rising consistently for the last 12 months.

There will be an impact on travel insurance, to which Members have alluded, but many Opposition Members are particularly worried about increases in the cost of general household insurance. Many of us serve constituencies with high rates of poverty and worklessness and many areas, including some in my constituency, are also troubled by relatively high rates of crime, with drug use fuelling burglary. Over the short number of years that I have served in the House, I have seen many constituents who did not have insurance and lost everything in burglaries and had to rebuild their lives, sometimes from scratch. The ABI has told us that for the average household a 1% increase in IPT will put at least another £8 a year on the general cost of household insurance, taking it up to £850. For many of my constituents, £850 is unaffordable, particularly if they live in areas that attract premiums.

For those reasons, the director general of the ABI has described the move announced by the Chancellor as "regrettable". Kerrie Kelly, in remarks to which the hon. Member for Dundee East alluded, was clear, saying that the change

"is a direct tax increase for the vast majority of people who sensibly protect themselves."

The hon. Member for Dundee East also mentioned Eric Galbraith, who said bluntly:

"This is a tax on protection."

That is a public policy concern which we need to hear more about.

We do not have a theoretical objection to insurance premium tax and, subject to a decent explanation from Treasury Ministers, I do not plan to put our amendment to a vote. The history of IPT is one of consensus. It was introduced by the right hon. and learned Member for Rushcliffe—now the Lord Chancellor—and increased in 1999 by my right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown). None the less, there are some important questions that it is important for the Government to answer this afternoon.

What assessment has been made of the increase in insurance premium tax? I should be grateful if the Exchequer Secretary would set out his assessment of the impact of that hike on Britain's pensioners? What will be the impact of the increase on the availability of general household insurance for people on low wages? Why is he raising the rate from 17.5% to 20%? Is it to preclude the value shifting that was the inspiration for the rate change in 1996? Most important, why is he raising the standard rate from 5% to 10%? Can he confirm that it is not the Government's policy to harmonise the standard rate with levels across Europe?

In 1999, when Labour raised the IPT rate, my right hon. Friend the Member for Bristol South (Dawn Primarolo), then the Paymaster General, was clear on the matter. She said:

"Rates vary tremendously across Europe, but they are significantly higher than in the UK, which has one of the lowest rates."

It was put to her that the rise was part of a wider, hidden plan to increase the rate successively to levels in Europe, but my right hon. Friend was clear:

"The increase does not signal a future change."—[*Official Report, Standing Committee B*, 15 June 1999; c. 642.]

I should like the same assurance from Ministers on the Treasury Bench this afternoon. Can the Exchequer Secretary confirm that the change is not part of a plan

successively to increase rates of insurance premium tax to levels across Europe, which amount to 11% at the low end of the range in countries such as Austria and 22% at the higher end in countries such as Italy.

It is important that we have some assurances this afternoon that there will be no further rises in IPT in this Parliament. Subject to satisfactory assurances and explanations of the points I have raised, I would see no need to put the amendment to a vote. I very much look forward to hearing what the Minister has to say in reply.

Several hon. Members *rose—*

The First Deputy Chairman: Order. It may be of interest to the Committee to know that I shall not be allowing a debate on clause stand part separately from the debate currently taking place.

Mr Bone: Thank you, Mr Evans. I am very grateful to have been called. It is a great pleasure to serve under your chairmanship for the first time since you have been elevated to your new role. I refer Members to my entry in the Register of Members' Financial Interests.

The right hon. Member for Birmingham, Hodge Hill (Mr Byrne) made an interesting and measured speech, which I hope my hon. Friend the Exchequer Secretary will respond to in due course. I could not agree more with the right hon. Gentleman's last point. We should not be increasing insurance premium tax to anything like European levels. That is one thing we do not need to learn from Europe.

I support the two amendments tabled by my hon. Friend the Member for Christchurch (Mr Chope) and I warmly support the comments made by my right hon. Friend the Member for Wokingham (Mr Redwood). My remarks about relief on motor insurance will be brief. The arguments have been made powerfully and I entirely support them. The amendment about health insurance concerns me the most.

The coalition Government have three areas of protected spending, where public spending is guaranteed to rise: the health service, overseas aid and the European Union. I want to deal with the relationship of the proposals to the health budget. Each year, £100 billion is spent on the NHS and the Government rightly recognise that spending will have to increase. There is no way round it. Demand on the health service will grow and grow, so there will have to be a real-terms increase. Even allowing for that, however, there will not be enough money to do everything in the health service.

One of my constituents is suffering from cancer and needs cancer drugs. She has to sell her house to pay for those drugs. If she had been insured, that would not have been the case. I am convinced that that lady uses the NHS most of the time, so she has not chosen to opt out by insuring herself against everything, but there will always be aspects of health provision that the NHS cannot cover because of their cost. That will mean that people have to pay extra, as this lady is doing for her cancer drugs. If we are to encourage people to insure themselves against such risk, we need to send the right signal.

1.30 pm

Amendment 18 does not address cost because the difference between rates of 5% and 6% does not represent a huge amount. However, if the amendment was accepted, it would send the country the remarkable signal that the coalition Government and the Prime Minister want people to stand up for themselves and take responsibility, as part of the big society, by insuring themselves.

I am in the wonderful position of being a Conservative Back Bencher who does not have to worry about the Whip in Committee. The Prime Minister has already said that he wants the Government to be held to account— *[Laughter.]* I know that this will be a shock to Labour Members, given that they are always whipped and centrally controlled, but Conservative Back Benchers have the right to hold the Executive to account. When we are in Committee, as is the case today, we are not subject to a Whip. We can vote whichever way we like in this Committee as long as the overall Budget gets through. Amendment 18 is such a small amendment that if it is pressed to a Division, I will support it, which is the sort of thing that the Prime Minister would welcome.

I have set out my basic argument about the tax increase on medical insurance, but perhaps I should draw the Committee's attention to a private Member's Bill that will be debated on 4 February 2011. That Bill would give tax relief to private medical premiums, but that wider debate is for another day. There is a question of whether such an approach would lead to more people insuring themselves, which would generate a saving because they would be less of a concern for the NHS, but today we are discussing only whether to impose a 1% tax increase. I hope that the Exchequer Secretary will be able to tell us how much revenue the Treasury would lose if the amendment were accepted and we did not have that 1% rise. If the increase discourages individuals from taking out medical insurance, more people will have to be treated by the state, which is why I argue that the tax increase from 5% to 6% on medical insurance premiums will cost the state more money.

Mr Knight: Is not the encapsulation of my hon. Friend's argument that this is a tax on responsible behaviour? In the case of motor insurance, it is a tax on lawful behaviour.

Mr Bone: I agree entirely with my right hon. Friend's point, but I want to draw a distinction between amendments 18 and 19. Amendment 18 addresses health insurance premiums, and the fact is that if someone does not take out health insurance, the state picks up the bill, because they will go to the NHS. When someone does not take out motor insurance, the responsible citizen picks up the bill through the Motor Insurers Bureau, but that is not quite the same as the position for health. It is clear that if someone might have paid for insurance so that they could go to an independent sector hospital but does not do so, they will be in the NHS and the state will have to pay. I argue that we could send a signal today to the citizens of this country, as part of the big society, that we want them to be responsible and to take out insurance, especially health insurance, which would save the Government money.

Thomas Docherty (Dunfermline and West Fife) (Lab): Labour Members do not have a philosophical objection to private health care, but does the hon. Gentleman accept that many people cannot afford such coverage? It is wrong to say that taking out private health care is a responsible option because that portrays those who cannot afford it as somehow irresponsible.

Mr Bone: I am grateful for the hon. Gentleman's intervention, but I know that I will get into trouble if I respond to it in detail. I suggest that he turns up in the Chamber when my private Member's Bill is considered on 4 February 2011, so that we can have that debate.

My hon. Friend the Exchequer Secretary has an historic opportunity today to stand up and make a name for himself and this Government by encouraging people to take out insurance.

Chris Leslie: I am glad that we have had the opportunity to debate these important tax changes. I have the greatest respect for all my constituents and the British public generally, but when we talk about financial matters such as pensions, savings and insurance, there is a tendency in the British culture for the fog to descend and for people to say, "Well, these things are very complicated and I don't quite understand them." A lot of people therefore get trapped by their own inertia in certain policies, bank accounts or pensions, and they do not necessarily shop around to get the best deal. I am afraid that insurance products are in the group of services to which our constituents sometimes do not pay attention. I urge members of the public to examine their policy documents and payments closely because insurance can represent a significant cost, although it is a merit good and something that we should encourage people to take out.

Gordon Banks (Ochil and South Perthshire) (Lab): Some areas of the country, including part of my constituency, face significant flood risk. Does my hon. Friend agree that such a tax increase on insurance will mean that people who are already paying significant amounts to protect their homes and lives will face an even greater cost? If those people do not continue to insure themselves, however, it will wreak havoc on lives throughout the country.

Chris Leslie: My hon. Friend is entirely correct. It is important that we ensure that all our liabilities are properly covered, so that the cost of our individual failings or mishaps does not fall on the general taxpayer. Responsible individuals have to insure themselves.

Mr George Mudie (Leeds East) (Lab): My hon. Friend says that people do not shop around. Does he agree that any process of shopping around is not helped by the way in which insurance companies sign people up to policies on standing orders with small print that allows that policy to be renewed without consulting the customer? Even if the customer wishes to change their policy because of a large increase in their premiums, they can discover that the small print means that they have to let the policy run because they are required to give notice.

Chris Leslie: That particularly pernicious practice merits much closer scrutiny. I do not know whether it is allowed to happen because of a legal loophole. People face dangers when they sign up to unending direct debits, especially if they have been attracted to an insurance policy because of a discounted initial arrangement but then discover that the payments have been ramped up. By the time they realise, from their bank statement or whatever, that the cost is so much more, it is too late to exit from the policy. I hope that any practices that tie customers in to such policies unnecessarily can be stopped.

Insurance premium tax was, of course, a Conservative initiative, introduced back in 1993, I think. We are all concerned about the deficit and revenues, so reluctantly we all have to accept the tax as part and parcel of our general revenue stream, but it is worth pausing to reflect on the impact of the charge on the behaviour of customers who want to take out insurance. Of course, there are different effects for different types of insurance. The amendments highlight both ends of the scale.

I am not sure that I share the sympathy for amendment 18 on private health insurance, because the general public already effectively pay for health cover through the tax that they pay towards the NHS; that is far and away the best health insurance that all of us could want. If we are all part of that, and pool our resources effectively, we ensure a better quality of health care for ourselves. I hear the points made by Government Members, who say that private health insurance removes the burden from the NHS, but if we are all part of the system together, and make sure that we all take part in it, we have a better collective service.

Thomas Docherty: Does my hon. Friend agree that people who have health insurance get fast-tracked, and receive a large benefit, in that they can jump waiting lists?

Chris Leslie: Thankfully, Labour has shifted the terms of reference for this debate, and not just in this country, where the Liberals and the Conservatives—the Conservatives in particular, to be fair to the Liberals—have now accepted that the NHS is one of the jewels in the crown of our welfare system. It is respected worldwide, and there is no longer any attempt, or at least no overt attempt, by the Conservative party to unwind the change that has been made, although having listened to Government Back Benchers, there may be some straws in the wind. I agree more with the hon. Member for Christchurch (Mr Chope) on amendment 19 on motor insurance.

Mr Redwood: Was the absence of support for amendments 18 and 19 from the Labour Front Benchers a sign that Labour will not vote for those two amendments?

Chris Leslie: I have absolutely no idea. As a humble Back Bencher, I simply make my comments and observations. Clearly, I will happily take a lead from our Front Benchers; they are immensely sensible individuals, and will make their arguments. But I have my own observations to make about the changes.

One of those observations is that there is a level of compulsion that distinguishes motor insurance. In a way, private health insurance is an entirely discretionary commodity, so I suppose one could argue that paying tax on it is a matter of choice, but that is not the case for drivers and for motor insurance. As the right hon. Member for East Yorkshire (Mr Knight) said, in the case of third-party car insurance we are talking about adding a tax on top of a charge that is effectively a requirement in law. That raises the hackles. It makes me feel aggrieved that there is a bit of opportunism on the part of the Treasury. It is a parasitical choice effectively to cream off more money from something that the general public have no choice but to get.

I suppose that those on the Treasury Bench might say that members of the public could give up driving and stop purchasing cars. Perhaps that would be good for the environment more widely, but in the real world, people have to get around, have to get to the shops and to school, and have to commute. It is part and parcel of ordinary life. I am very worried—genuinely worried—that ratcheting up insurance premium tax on motor insurance will create a disincentive for people to comply with the law, take out insurance, and ensure that the cost is covered if any accidents occur or harm is caused to other members of society and the wider public.

1.45 pm

In my constituency in Nottingham, the road safety and casualty reduction budget has taken a hit as a result of the cuts announced by the Government parties. Something in the order of £350 million is being taken out of that budget in this financial year alone. Clearly, it would not be in order for me to refer to an amendment that I have tabled that would hypothecate the revenues from the motor insurance IPT increase and put that money towards road safety and casualty reduction. All that I would say is that there are concerns in my constituency and elsewhere that not only are we losing money for road safety, but if we discourage people from taking out motor insurance, and encourage them to go down the illegal route and to drive without car insurance, when there are problems and accidents, and individuals suffer trauma or are caused harm, they will struggle to recoup any compensation. That is especially regrettable.

As I said in an intervention on the hon. Member for Christchurch, some young people, who may pay £1,000 or even more for their insurance, may come to a rational yet entirely perverse judgment and say, "I'll risk not getting that car insurance. I'll drive uninsured." They will risk getting six points on their licence, and a £300 or £400 fine—that is the typical amount that magistrates will impose—if they are caught driving without insurance.

Members on the Treasury Bench really ought to speak to the Justice Secretary, who introduced insurance premium tax in the first place, and make representations that fines for driving without car insurance should be at least commensurate with the cost of car insurance. That is an extremely serious point. I understand that in a magistrates court, if an individual is fined for driving without proper motor insurance and they are not earning and have a very low income, the fine can be as low as £80 or £90. That gives them an even greater incentive to chance their arm and to go without car insurance. There are some extremely serious points here.

Let me come on to the effects of insurance premium tax on buildings insurance and contents insurance. When times are tough, many of my constituents may well look at their outgoings and think: "What could I do without? What will go first?" Clearly, they know that there are legal obligations to pay council tax, utility bills and so forth. Those things that are on the margins, such as home insurance and contents insurance, tend to go first, and that is extremely regrettable. Of course, adding further tax to those items will speed up the decision for many of my constituents, who will say, "This is becoming unaffordable."

Gordon Banks: My hon. Friend talks about house insurance. Has he considered that people might retain insurance, but end up being under-insured?

Chris Leslie: Absolutely. A lot of people, when they apply for insurance, will be asked what amount they wish to have—I am trying to recall the phrase—as the amount that one ends up paying before one can claim.

Gordon Banks: The excess.

Chris Leslie: I thank my hon. Friend for his assistance. On home insurance, the excess is typically £100 or £200. Those hon. Members who are IT-literate, and who use the interweb to purchase their insurance, will realise that on many sites there is a little bar that one can shift across the page to increase the excess to £400, £500 or more. It effectively means that people will rarely, if ever, claim against that insurance, and it thereby removes not only much of the cost of the initial premium, but the chances that they will ever use that product. Again, that will leave people under-insured, with poor cover, and with a poor product for what could be a great expense if they are broken into or have problems with internal flooding or other damage to their property.

In some parts of the country, particularly where there is a flood risk, far too many people are still uninsured, and the pressure that they put on the taxpayer more generally to pick up the tab will be great. In some ways, the measure is a false economy by the Treasury: it discourages people from taking out insurance, yet they will undoubtedly be under pressure to pick up the tab in flood-risk areas.

There is a rumour going around that the Treasury might also impose an extra tax on those who live in flood-risk areas in order to cover the extra costs to the taxpayer of flood-prevention work—yet another example of a crude and unfair measure. I am sure that the Minister will be happy to tell the House that that is not the case and to put our minds at rest, because it would be a shame if such a measure were to come forward.

Geraint Davies (Swansea West) (Lab/Co-op): Will my hon. Friend give way on that point?

Chris Leslie: Happily.

The First Deputy Chairman: Order. Just before that happens, can we please restrict ourselves to the Bill and the amendments to it?

Geraint Davies: I shall bear that in mind. My hon. Friend will know that I had a previous responsibility for adapting Wales to climate change in terms of flood defences, and he will be interested to know that there are literally—

The First Deputy Chairman: Order. That is much wider than what we are discussing today.

Chris Leslie: Those who require insurance, on which the amendments would seek a report from the Treasury in order to reveal the impact not just on the Exchequer, but on individuals, will also be concerned about their contents insurance and buildings insurance, which are often where the cost of picking up reparations after flooding occur. It would be wrong of me not to pay tribute to my hon. Friend for his work before he entered Parliament.

Geraint Davies: On that specific point about the incidence of such insurance deals, the reality is that, as climate change progresses, the people who are caught by such costs will often be the poorest, who are closer to high flood-risk areas because of bad planning and the like. Does my hon. Friend agree that the impact of the measure will be increasingly regressive?

Chris Leslie: Absolutely. My right hon. Friend the shadow Chief Secretary to the Treasury made that point very forcefully earlier. The regressive impact of insurance premium tax is not widely understood, but, when our poorest constituents take out insurance, they are hit disproportionately hard, and unfortunately many of them will decide to go without that insurance altogether.

Sammy Wilson (East Antrim) (DUP): I appreciate the hon. Gentleman's point about a 1% rise being regressive, but, on his earlier point about it putting people off buying insurance, the average household insurance policy is £400 and a 1% increase will add £4 to the total cost. If someone who seriously wishes to insure their home is prepared to pay £400, is he really suggesting that an extra £4 will produce the result to which he referred, namely that many people will no longer purchase insurance?

Chris Leslie: The hon. Gentleman makes a reasonable point, and he is right that at that level the disincentive might well be marginal. However, my point is that there is a slippery slope, and, with 1% here and 1% there, before we know it we have 2% or more—3%, or even 4%. My right hon. Friend the shadow Chief Secretary asked about the potential risk of aligning our insurance premium tax arrangements with those of the wider European Union, and, if they are at 22% in Italy or wherever, there is a risk of a serious disincentive.

So, I regard this debate as a stitch in time to put down a marker and say to the Government, "Don't chance it too far. This may well feel like a small amount of money, but £10 on a motor insurance policy of £1,000 is quite an additional burden and not to be sniffed at." If the Government continued to ratchet up the costs in that way, that would be regrettable. Some of the amendments before us are very sensible, and, in asking for a report from the Treasury, I also urge it to consider in that document the merits of a requirement on insurers to advertise more prominently the yield from insurance premium tax and the rate of tax that customers pay, because it is exceptionally important that our constituents understand why they are asked to pay so much.

When I consulted the Association of British Insurers about that, its representatives said that they would welcome more information on policy documentation and be more than happy to work with the Treasury on those matters. If the amendment is carried, and there are good arguments for doing so, I hope that the Minister will consider that point seriously.

The impact on travel insurance will be even greater, given the costs for many people who travel abroad on, perhaps, their holidays. If those people are my constituents, they will often do so for one week a year, if that. However, all travellers are encouraged to take out travel insurance for such trips, and the rate is currently 17.5%, but it will go up by 2.5 percentage points to 20%, which is a significant amount of money, so, if we discourage our constituents from taking out insurance on their holidays or travel, there will again be consequences.

Mr Kevan Jones (North Durham) (Lab): Does my hon. Friend agree that the measure will also have an effect on the wider economy? For example, Newcastle airport in the north-east is a huge economic driver, and East Midlands airport, near my hon. Friend's constituency, is a huge employer. The measure could have an impact on the business of those two airports—and many others.

Chris Leslie: There will be consequences if, because of the extra cost of a family holiday, our constituents are disincentivised from going abroad or travelling. The Chancellor of the Exchequer's imposition of a holiday tax is something that I hope many travel pages in the Sunday newspapers and supplements will focus on, perhaps by modelling the costs for a typical family. About £400 million of travel insurance business is carried out in this country each year, and that accounts for a significant part of not only the insurance industry, but the economy more generally.

Mr Bone: I am being won over by the hon. Gentleman's speech. He argues very strongly against tax rises, and he has won me over on that. Indeed, I should be happy to vote against those increases, but, given the problem with the deficit, can he suggest some other public expenditure savings to make up for them?

Chris Leslie: That is a reasonable point, but I should not want to stray beyond the terms of the amendment, suffice it to say that the hon. Gentleman asks a reasonable question, because if we agree to the amendments we might be forgoing revenue to the Exchequer. My view, which he may have heard before but I am happy to share with him, is that the banks should not gain £400 million cash-back from the corporation tax reduction that they will enjoy.

The First Deputy Chairman: Order.

Chris Leslie: Mr Evans, I felt an obligation to help the hon. Gentleman and hoped that, with that short interjection, you would indulge me.

To return to my general point, insurance is not only a public good, but a necessity for many of our constituents. Our constituents also often make the choice to take out insurance. Although I would not say that all insurance policies are good value for money and although we want to see more competition, I feel uncomfortable about the constant ratcheting up of the costs to our constituents of compulsory insurance, particularly motor insurance.

2 pm

We could see some policy initiatives on this issue. Why does the Post Office not consider advertising its car insurance offer more widely, given that the state and the Government play a part in that offer in some ways? It would be healthier for there to be greater competition. The Government—indirectly, through Post Office services—could create cheaper car insurance. Treasury Ministers could talk to their colleagues at the Department for Business, Innovation and Skills about that, to ensure that the insurance industry does not unnecessarily inflate the cost of insurance.

Geraint Davies: Will my hon. Friend give way?

Chris Leslie: I would like to make some progress, but yes, I shall give way.

Geraint Davies: My hon. Friend mentioned the issue of compulsion and rates. Does he agree that there is a case to be made for keeping the "holiday tax", as he put it, lower, and paying for that by making it compulsory? One could argue that it is irresponsible for people to go on holiday without insurance and end up with all sorts of problems.

Chris Leslie: I hear what my hon. Friend says, but I am reluctant to extend compulsion in that regard. We should certainly encourage people to take out travel insurance and inform them of what might befall them should they not do so—they could be stranded abroad or find themselves without adequate medical or health cover, for example. I do not know whether hon. Members always remember to fill in their E111 forms when they travel to other countries in the European Union, but our constituents often do not. They can find themselves in significant jeopardy. In those circumstances, travel insurance is very useful.

Many people are employed in the insurance industry, and if there are disincentives against our constituents' taking out decent, high-quality policies there will be an impact on the insurance sector and the financial services sector more widely. The financial services sector, including insurance, is one of the great industries of our country. It has been subject to a lot of criticism, and we can talk about that on another occasion, but it is important that we should not take steps that harm the products that we consume in this country and sell worldwide.

I conclude by reiterating to the Treasury the importance of assessing the impact of the insurance premium tax increase on our constituents and the Revenue. We do not know from the Red Book how the £455 million annual yield precisely breaks down between pensioners, young people and beyond. My right hon. Friend the shadow Chief Secretary says that the impact on pensioners will be significant and I take his word for that. That issue is a great worry. These are serious matters and I hope that the Treasury and other hon. Members will hear some of the points shared across both sides of the Chamber today.

The Exchequer Secretary to the Treasury (Mr David Gauke): We have had a wide-ranging debate on clause 4 and the amendments tabled to it; I am sure, Mr Evans, that you want to hear its conclusion. I was grateful to hear the contribution made by my hon. Friend the Member for Wellingborough (Mr Bone), who highlighted the freedom given to Government Back Benchers in Committee debates. I hope that my remarks will persuade my hon. Friends not to make full use of that latitude. We shall see.

The amendments are concerned with the general impact of the rise in the standard rate of insurance premium tax, particularly in respect of its impact on personal health insurance and the motor industry. I will come to those issues in detail in due course. Before I do so, I propose to set before the Committee the reasons behind the course that we have chosen.

Reducing the deficit and ensuring economic recovery are the most urgent issues facing the UK and they are the Government's top priority. In the words of the shadow Business Secretary, it is no good wishing the deficit away; it is only by acting quickly to tackle the deficit and restore confidence in the public finances that we will achieve economic growth. That has meant that we have had to take many tough decisions to ensure that everybody makes a fair contribution. Part of that contribution will come from increases to the standard and higher rates of IPT.

Clause 4 legislates for that by increasing the standard rate of IPT from 5% to 6% and the higher rate of IPT from 17.5% to 20%, both with effect from 4 January 2011. IPT is, of course, a tax on insurers, not on their customers; 80% of all the insurance sold in the UK is exempt from IPT. All long-term insurance, such as life insurance and pensions, is exempt from IPT. My hon. Friend the Member for Christchurch (Mr Chope) mentioned Conservative party policy on long-term insurance. If he is a little patient, I am sure that my right hon. and hon. Friends at the Department of Health will say more on the subject. I just underline the point that IPT is not levied on long-term insurance.

Mr Chope: Does my hon. Friend mean that if there was an opportunity for somebody to pay £8,000 for long-term insurance, that would not be subject to IPT in the circumstances set out in the original Conservative party manifesto?

Mr Gauke: What I can say is that given how IPT is currently structured and where it is levied, it does not apply to long-term insurance; the conclusion to be drawn about something that falls within the definition of long-term insurance is fairly logical.

However, in respect of the types of insurance that are affected, insurers have the right to respond to the tax as they see fit. They are not obliged to pass on IPT through higher premiums. *[Interruption.]* We recognise that many insurers will pass it on to their customers through higher premiums, but I will not be dragged into the detail of the amendment tabled by the hon. Member for Nottingham East (Chris Leslie).

The question was asked whether further regulation should be imposed on insurers, making them display prominently how much is being paid in IPT. Unlike VAT, IPT is a tax on insurance, so there is no obligation to pass it on or to recover it for businesses. We do not think that that would be appropriate. Insurers are, of course, perfectly free to display the IPT rate on documentation, and many do so. Requiring them to do so, however, would be burdensome and unnecessary.

Mr Byrne: Will the Minister remind the Committee of something? On the two or three previous occasions when IPT has been increased, how much of the increase was passed straight on to consumers?

Mr Gauke: I am not denying that we expect the increase to be passed on predominantly to consumers; we expect that the bulk of it will be. The analysis of VAT, another indirect tax, shows that two thirds tends to be passed on straight away and that much of the rest is passed on over the following 12 months. However, it is not always possible to predict and it partly depends on the level of competition.

Gordon Banks: I just want to make a simple point. The Minister is saying that he expects consumers to pay twice—once through increased premiums and once through increased IPT. Does he find that acceptable?

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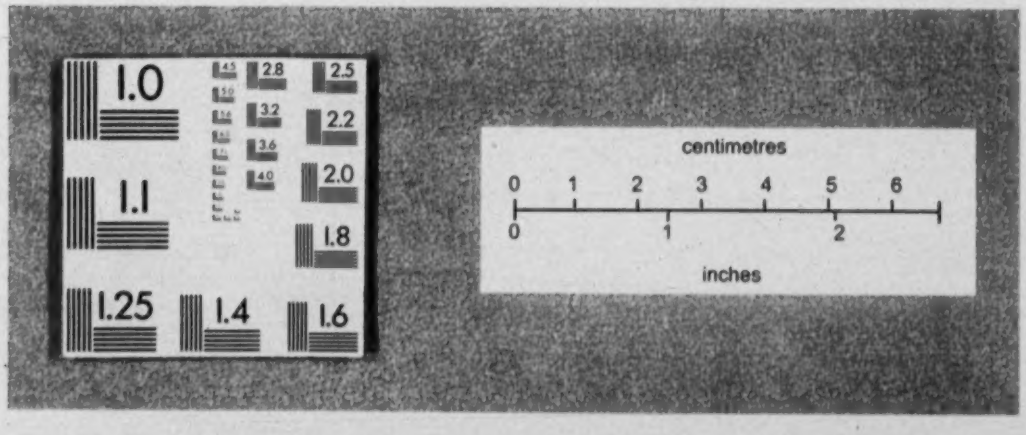

Mr Gauke: That is not what I am saying. I am saying that the increase in insurance premium tax, which is payable by insurers, is likely to be passed on to consumers. We are not denying that; in simple terms, we need the money.

Even if the increases to the standard and higher rates of IPT are passed on in full, the impacts will be very modest, costing households less than 20p a week on average and businesses an average of less than 0.01% of annual turnover, even for smaller businesses.

Mr Kevan Jones: I am not sure whether the hon. Gentleman has renewed his car insurance or household policy recently, but he will find that most insurance policies make it clear exactly how much tax is paid, so I do not think it is the case that they will withhold the increase and not pass it on to the consumer.

Mr Gauke: I am grateful to the hon. Gentleman for underlining an earlier point that I made—that it is not necessary to introduce regulation in this area. As I say, we anticipate that it will be passed on, but it is not mandatory. I am not denying that position.

Despite these modest impacts, the IPT rate increases will contribute more than £450 million a year to reducing the deficit. As I said, such decisions have been forced on us by the economic circumstances that the UK finds itself in, and they have not been taken lightly. We are confident, however, that this modest rise in IPT, which leaves the main rate of the tax significantly lower than that of many of our European competitors, is a means of raising much-needed revenue that will not have a significant impact on households, businesses or the insurance industry.

Mr Byrne: The Minister is making an argument about choices that are made in order to increase revenue, but I think the Committee is struggling to understand the reason for the increase in the standard rate of IPT. Other choices were available. Why have increases in cider duty been withdrawn, for example, while new taxes are being introduced on insurance?

Mr Gauke: The central point is that the country is in a very difficult position as regards the public finances. I hope that the shadow Chief Secretary is grateful for the fact that I have got this far through a speech without once referring to his letter. With another intervention, I may be tempted to do so. We have made a series of judgments. If he thinks that cider duty is the way to reduce the deficit, I suggest that he is somewhat mistaken.

Amendment 18 would exempt personal health insurance from the increase in the standard rate of IPT, and amendment 19 would do the same in relation to motor insurance. In effect, that would mean creating a new reduced rate of IPT that applied only to private medical insurance and motor insurance. Of course, the Government recognise the value of these types of insurance and, indeed, of insurance more generally.

I assure my hon. Friend the Member for Christchurch that we do not disapprove of people taking out private medical insurance—that is not something we wish to prohibit, either in law or by imposing enormous costs on it. In health policy, our focus is of course on improving the national health service, and we have this week set out important proposals on improving the quality of the health service and reducing expenditure on bureaucracy. We are also, as a Government, protecting the NHS from spending cuts, which is not, as I understand it, a policy endorsed by Labour. The purpose behind this tax increase is clearly to raise more revenue—it is not an attempt to try to dissuade people from taking out private health insurance.

Thomas Docherty: The Minister claims that the Government are protecting the NHS. Is he aware that all the health boards in Scotland have written to their employees to inform them that following the cuts that his Government are making, the NHS in Scotland will have significant job losses?

Mr Gauke: Of course health care in Scotland is a devolved matter, and you will not want me to digress on that, Mr Hoyle, but the fact is that health care spending will go up in real terms under this Government. That is not, as I understand it, a policy that is supported by the official Opposition.

2.15 pm

Mr Chope: My hon. Friend framed his policy in rather negative terms by saying that the Government did not disapprove of health insurance and did not want to prohibit or deter it. Can he be a bit more positive and say that it is their policy to try to encourage people to take responsibility for their own insurance, on similar lines to the Secretary of State for Transport saying that he wishes people to take responsibility for paying their own bus fares, despite their having bus passes, if they can afford so to do?

Mr Gauke: As a Government—I am sure that this is a principle that my hon. Friend would support—we believe in giving people choice, and that is what we will do. We have set out our policies in that context, and I am merely underlining this Government's commitment to the national health service.

The combined effect of the amendments tabled by my hon. Friend the Member for Christchurch would be to slow down fiscal consolidation. Through the Budget and this particular measure, the Government are trying to get our deficit under control, and slowing it down would not be an appropriate step.

Chris Leslie: Specifically in terms of the contribution to fiscal consolidation, how much of the yield from the increase in IPT will come from the motorist via car insurance?

Mr Gauke: If I may, I will provide a little more information breaking down the numbers in a moment or so, and we shall see whether that is specific enough for the hon. Gentleman.

Exempting motor insurance from the IPT rise would reduce revenue by £160 million a year, and exempting medical insurance would reduce it by a further £40 million. Taken together, those figures total £200 million—nearly £1 billion over the lifetime of the Parliament. That would leave us with quite a shortfall, and a couple of options. First, we could raise £1 billion from elsewhere. We have to be open about the fact that the purpose of the IPT rise is to raise revenue, and if we were to look to raise the outstanding £1 billion through IPT, that would

mean increasing very considerably the rate of tax on the remaining classes of insurance. For reasons that I will set out, we do not think that that is the right way to go. The second option is to leave ourselves with £1 billion outstanding, which would leave us further away from plugging the deficit, with all the risks that that entails. We are certain that that is not the right way to go.

It has always been a principle of IPT that the tax applies to a relatively broad base of general insurance, with few exceptions. That broad base allows us to keep the standard rate of the tax low by international standards. Even at the new rate of 6%, the UK's standard rate of IPT is far lower than in, say, Germany, where it is 18% for property and 19% for motor insurance, or France, where it is 9% for property and 18% for motor insurance. Narrowing the base of the tax through specific exemptions of the type that my hon. Friend the Member for Christchurch suggests would put that low rate at risk.

To respond to the perfectly fair question of the shadow Chief Secretary, the fact that we have announced the increase should not be taken as a signal that we intend to harmonise tax levels with those elsewhere. To quote what the shadow Chancellor used to say, we always keep taxes under review and it would be daft to rule things out, but this increase should not be taken as a signal of an ongoing programme of further increases.

We do not take any pleasure in introducing this tax rise, even though the reasons for it are clear. However, by keeping a broad base of tax within general insurance, we are able to raise revenue so as to cut the deficit, while keeping the increases at a level that will not have any significant impact on the number of people buying insurance.

Thomas Docherty: Has the Treasury done any work to enable it to hazard a guess as to how many people will not now take out motor or health insurance as a result of the rise?

Mr Gauke: We do not believe the rise will have a noticeable effect on the number of people taking out insurance, but I know that hon. Members are concerned about the impact of the IPT rises on households. I have already set out the average impact on households. Specifically in the case of the insurance covered by amendments 18 and 19, the IPT rate increase will add only about £6 a year to the average motor insurance premium, and for those who buy private medical insurance the rise will cost less than £10 a year on average. Consequently, it is difficult to make the case that the increase will prove much of a deterrent to people taking out motor insurance or private medical insurance. Consumers are well used to insurance premiums fluctuating, and the modest effects of the rise will not act as any significant deterrent.

Mark Hendrick (Preston) (Lab/Co-op): The Exchequer Secretary says that the rise will not be a deterrent, but it will certainly provide an incentive to people who pass the tax on to the consumer to increase charges over and above the amount in question and then blame the Government for it, as we have seen with so many other taxes.

Mr Gauke: Let us see what happens. I am not sure that the evidence necessarily supports that concern, but I am sure that if it happens the hon. Gentleman will come back to the House to highlight it. Many within the insurance industry have themselves acknowledged that the rises are very modest and will not have a significant impact on households or on the take-up of insurance.

Amendment 15 would make the IPT rise announced in Budget contingent on the publication of an assessment of the effect of the rate rise on consumers and the insurance industry. We believe it is unnecessary. I have set out fairly comprehensively in this debate the expected impact on households and businesses—in broad terms, that impact will be minimal.

I should also point out to hon. Members the considerable amount of information on the impact of the Budget that we have already put in the public domain. In particular, for the first time the Government have set out their analysis of the distributional impact on households of the Budget measures, including the IPT rate changes, in annex A of the Red Book. Separately, other organisations such as the Association of British Insurers have given estimates of the impact of the rise on households, which are very much in line with our own estimates. Naturally, the industry and consumers do not like the rises, and we do not like having to introduce them, but the industry accepts that they are going to happen and is preparing accordingly.

Finally, I wish to address amendment 48 which, as the shadow Chief Secretary said, is a probing amendment aimed at exploring the reasons for the rise and its impacts. He asked a specific question about the balance between the standard and higher rates. For 2010-11—Members should remember that the rate increases will occur in January 2011—the revenue raised will be £110 million from the standard rate and £5 million from the higher rate. For the following years, the higher rate will raise £25 million each year, with the balance made up from the standard rate, which in most years raises £450 million.

The shadow Chief Secretary also asked about the reason for the increase in the higher rate from 17.5% to 20%. As he correctly surmised, it is to do with value shifting and the fact that travel insurance is often sold with other products on which VAT is payable. A discrepancy between the IPT on travel insurance and other rates may create dangers of value shifting, and that is the reason for the proposal.

Mr Chope *rose—*

Mr Gauke: It is always a pleasure to hear from my hon. Friend.

Mr Chope: Will my hon. Friend spell out the yield from IPT on motor insurance and health insurance, which amendments 18 and 19 cover?

Mr Gauke: As I said earlier, the cost of my hon. Friend's amendment to exempt motor insurance from the IPT rise would reduce revenue by £160 million a year, and exempting medical insurance would decrease revenue by a further £40 million a year. I hope that that is helpful.

The increase is necessary. It is an attempt to bring our deficit under control. We need to make some tough decisions, and that is one.

Mr Chope: It is my pleasure to respond to an excellent debate and I thank everybody who has participated in it. At the beginning, other hon. Members and I conceded that the sums of money involved were relatively small, but we were concerned about the messages that were being sent. I am rather disappointed by the Exchequer Secretary's failure to engage with that part of the argument. It is one thing to say that the Government do not disapprove of health insurance, will not prohibit it and do not wish to deter people from taking it out, but all those who take out private health insurance help not only themselves but the country.

My hon. Friend kept saying that our commitment—meaning the coalition Government's commitment—is to the NHS, but surely it should be to the health of the nation. That depends on money going into health care and health protection from a mixture of sources. Some will come from taxpayers, and an increasing proportion in my view should come from private individuals and companies—we are also talking about company health insurance schemes. My hon. Friend had the opportunity to say to companies that have health insurance schemes for their employees, "Thanks very much indeed for your contribution; that takes a burden off the NHS." He had the opportunity to tell those who take out private health insurance or self-insure and pay for their health care, "Thanks very much; you are relieving the state of a burden." He did not. I do not know whether that was a deliberate omission or unintentional.

I am concerned about the messages that are being conveyed about the direction of travel and I am slightly bewildered about whether the coalition Government are wholeheartedly enthusiastic about people taking responsibility for as much of their own lives as they can, depending on their financial ability. If we are trying to build a responsible society, we should encourage people to take responsibility for all aspects of their lives and should not force them to feel that they should depend on the state.

We should certainly not encourage a state of mind whereby people think that they are being antisocial by not depending on the state. We have almost reached a stage when, if somebody says that they have private health insurance or that they send their children to independent schools, while paying through their taxes for state education for everybody else, the Government frown on them. It is too late in this debate, but I hope that the coalition Government will send out a much more positive message about the virtues of self-help and responsibility and of people not being dependent on the state. There are many definitions of what may or may not amount to the big society, but if it means anything to me, it is encouraging people to do their own thing and having much smaller state involvement and, ultimately, lower taxes.

2.30 pm

Sammy Wilson: I am listening intently to the hon. Gentleman. Would he extend his argument to, for example, household insurance and the whole range of insurance premium tax? As was pointed out earlier in the debate, people insure their houses against flooding and fire, for example. There is therefore no burden on the state in the event of flooding, because the insurance companies carry it, and if a house catches fire, people do not have to look for a loan from social security, because they are covered by the insurance. Does he accept that the amount of money involved is hardly likely to act as a disincentive?

Mr Chope: The answer is yes; I would wish to extend my argument. However, I tabled two specific amendments so that we could have a focused debate. It has become apparent in the course of the debate—I did not know this before—that about half the yield from the IPT increase will be from motor and health insurance premiums, and about half from other insurance, such as household insurance.

I am concerned that in my constituency, particularly as a result of the rather reckless behaviour of the Environment Agency, there is a blight on a number of houses, whose owners find either that they cannot access flood risk insurance or that that insurance is much more expensive than it used to be. Because of how IPT works, the state benefits from the latter outcome through extra income, and there is an extra burden on householders. Some very important points were made by Members who are concerned about household insurance. It was open to anybody to table similar amendments, but I tabled two to focus the debate. The hon. Member for Dundee East (Stewart Hosie) did the House a service by tabling an amendment that calls for a proper analysis so that the House can know the full implications of the proposals before we are asked whether we support them.

We have spent two hours discussing this matter, but we have still not really heard from the Government about the direction of travel. We certainly have not heard whether the principles so articulately described by my right hon. Friend the Transport Secretary—he spoke of people who can afford to pay their fare using free bus passes—apply throughout the coalition Government, and to those who take responsibility for their health care, education or other aspects of their lives.

Thomas Docherty: On private health care, does the hon. Gentleman accept that people receive a premium service, and that it is therefore only right that they pay a premium tax? Does he also accept that health care provides only 10% of the total IPT raised?

Mr Chope: People take out private health insurance, which might be through a scheme in their firm, because they want access to health care that is currently not available. I gave some examples in my opening remarks of people in my constituency choosing to take out health insurance. A very large number of my constituents pay for various procedures and operations. They insure themselves because they believe that they can access those procedures when they need them rather than when the state tells them they can have them.

The essence of the argument is that countries with the highest standards of health care are the ones that encourage higher non-taxpayer funded input into health care. That is what I am trying to get across. I might be unable to persuade the hon. Gentleman, but I hope that I might start to persuade members of the coalition Government on the virtues of people taking responsibility for their health care, thereby relieving the burden on the NHS.

Mark Hendrick: Does the hon. Gentleman accept that the private health system is not independent? It is actually dependent on the national health service, and the vast majority of private health staff were trained and qualified in the NHS. The 6% we are talking about is quite small when it comes to disincentives for people to use the private health system.

Mr Chope: The hon. Gentleman demonstrates his old socialist credentials and his prejudice. I shall not get into a full debate about the NHS, as I hope that we will have an opportunity to do so when the private Member's Bill tabled by my hon. Friend the Member for Wellingborough (Mr Bone)—which I support—is debated on a Friday in February. Let us not forget that many of our top clinicians stay in this country because they can supply their services to the NHS—*[Interruption.]* Yes, they do so for money, but they can also top up their income by getting money for providing their services to private patients. That mixed market in health care provision, including the providers of health care, is healthy for our country and I am sorry that the hon. Gentleman does not support it. That is a philosophical divide, but I think that we need the best health practitioners in this country. The private health insurance companies make a significant contribution to the health of the nation.

I shall not go through all the contributions that were made in this debate, but I wish to touch on the motor insurance issue, which found most common cause across the Committee. Because the right hon. Member for Birmingham, Hodge Hill (Mr Byrne) did not seem to be committed to the idea of protecting motorists—especially young motorists and those from areas with high insurance premiums—and did not say that he would support my amendment, he has created a slight difficulty for me.

Mr Byrne: My ambition this afternoon was simply to tease out from the Government the principle behind the increase in IPT. The hon. Gentleman may be able to help me with this, but I think that I detected that the ambition was simply revenue raising. Was that his interpretation too?

Mr Chope: The right hon. Gentleman has deployed an old trick. Instead of responding to my challenge, he has put a challenge back to me. He has listened to the same debate as I have, and the Government need to raise money because—as he so candidly recognised—there is no money left. That is one of the reasons behind the insurance premium tax.

Mr Byrne: The hon. Gentleman is being slightly unfair. We had a very different approach to introducing £19 billion of new taxes. The Government have chosen a different course, but they have had to raise so much in VAT and IPT because the Budget so slows down the recovery that £9 billion in extra taxes will have to be raised to make up for the lost growth.

Mr Chope: I shall not get involved in that debate now, because I want to keep the focus on the narrow issues in my amendments. I am disappointed that the Minister did not respond to my concern—echoed by the hon. Member for Nottingham East (Chris Leslie) and others—about the regressive nature of the insurance premium tax, especially on the motoring public. One suggestion I made was that instead of having a standard tax on insurance premiums, we could have an individual transaction tax so that every motorist would pay the same tax for his annual insurance premium.

Mr Gauke: My hon. Friend is right to return to this point, and I apologise for not responding to it in my earlier remarks. If we took that approach on a revenue-neutral basis, we would end up essentially with the same transaction tax level on a big and small car—whether a Bentley or a Skoda, we would have the same transaction tax. Is that what he is advocating? That itself would be regressive.

Mr Chope: I was not thinking about Bentleys versus Skodas; I was thinking about the student living in Liverpool trying to run a vehicle that is perhaps 10 or 15 years old and finding it hard to make ends meet, and about the person who might have several Bentleys in the garage covered under some collective insurance. I am concerned about those living in high-risk areas or who are in high-risk groups—because they are young drivers, for example—whose insurance premiums are significantly higher than those of, for example, the person whom my right hon. Friend the Member for East Yorkshire (Mr Knight) mentioned who is in their mid-50s and happens to own a Bentley. I do not think that, prima facie, that is fair. I was throwing out a challenge to my hon. Friend the Exchequer Secretary to see whether an individual transaction tax that is not related to the size of the premium might produce a fairer result. It seems as though it might not, but perhaps we can correspond on that so that we can take the matter forward.

We have covered a lot of ground in this debate, and I have already expressed my disappointment. The question now arises of whether we should seek to divide the Committee on the proposals. I live in hope—perhaps I am naive—that in due course we will get a better and more positive response from the coalition to questions of responsibility and encouraging people to do the right thing, and that it will send out those positive measures. To seek a Division would probably be counter-productive because, apart from anything else, I would have to pick one, rather than both, of my amendments, which would mean picking on one particular type of insurance premium tax as against another. I am not sure that that is necessarily in accordance with the will of the Committee, so I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Mr Chope: On a point of order, Mr Hoyle. It seems as though right hon. and hon. Members in the Opposition did not realise that it was open to them to object to the withdrawal of an amendment if they wished to vote on it.

The Chairman of Ways and Means (Mr Lindsay Hoyle): It is too late to object now, so let us proceed.

Clause 4 ordered to stand part of the Bill.

Clause 5

POWER TO REPEAL HIGH INCOME EXCESS RELIEF CHARGE

Ms Angela Eagle (Wallasey) (Lab): I beg to move amendment 60, page 3, line 9, at end add—

[Ms Angela Eagle]

'(4) An order under this section may only be made once the Treasury has published a report, including—

(a) the outline for the proposed replacement arrangement for the provisions contained in Schedule 2 to the Finance Act 2010;

(b) a distributional analysis showing the likely impact of the proposed replacement arrangement; and

(c) the revenue implications of the proposed replacement arrangement.'.

The Chairman: With this it will be convenient to discuss clause stand part.

Ms Eagle: The amendment seeks to delay the making of any order under clause 5 until the Treasury has published a report that outlines the proposed replacement for the provisions in section 23 of, and schedule 2 to, the Finance Act 2010, a distributional analysis of the impact of the proposed arrangement and the revenue implications of the replacement provisions themselves. Clause 5 creates a power to remove the paving legislation that would have enabled the so-called high income excess relief charge to be levied in time to be collected in April 2011. That was legislated for in section 23 of, and schedule 2 to, what I suppose we must now call the first Finance Act of 2010, given that we look to be on course to pass three of them this year. I never thought that I would be comparing Finance Acts to buses—none come along for ages and then three come along at once—but it looks like 2010 is going to demonstrate the similarity. We are only in the middle of discussing Finance Bill issues in this Session, and obviously we will resume with part two later in the year.

2.45 pm

However, back to the provisions before us. The original legislation, which was passed by the previous, Labour Government, was announced in the 2009 Budget and slightly extended in scope in the 2009 pre-Budget report. The idea was to have restricted tax relief on pension contributions for those earning £150,000 or over, who are the top 2% of earners in the country. The policy would have tapered that relief as earnings rose, so that by the time earnings were at £180,000, the relief on pension savings would be the same as that for a basic rate taxpayer, which is currently 20%. The measure was scored in the 2009 pre-Budget report as creating a total yield of £3.6 billion in 2012-13. It was calculated that it would affect 300,000 people at the very top of the income scale, leaving 98% of taxpayers unaffected.

In order to understand the effect of changes to pension tax relief, we need to understand how it has developed and how it is distributed. I propose to spend a little time outlining that, so that we can explore the precise effect of clause 5 as drafted, which completely takes away the previous policy. The tax relief available on pension saving in the UK is generous. As many hon. Members will know, it was originally introduced to support people seeking to produce an income for their retirement, in the recognition that these people are locking away resources in an inflexible way, which is obviously what pensions do. People cannot easily access those resources earlier than the retirement age, which is usually not for many years.

The tax treatment allows tax-free saving and tax-free investment growth, as well as the taking of a tax-free lump sum on retirement of up to 25% of the fund. There are also valuable tax incentives for employer contributions to pension saving, which is a recognition—long supported by Members in all parts of the House—that it is more efficient for pensions to be provided on a collective rather than an individual basis. The favourable tax treatment is also a recognition in wider society that pension saving involves a deferral of current income, which is always difficult to maintain in what is a consumer-oriented society, where all the temptations tend towards instant rather than delayed gratification.

Chris Leslie *indicated assent.*

Ms Eagle: My hon. Friend responds to my mention of instant gratification, but obviously it is in all our interests as a society to recognise that there is merit in assisting people to save for their retirement, so that they can avoid being reliant on benefits in their old age. As a result of the welcome increases in longevity, which have been a feature of our success as a society since the war, the average period of retirement is becoming longer and longer. Indeed, history recalls that when old-age pensions were first created 100 years ago, the life expectancy of those due to access them was a mere one year after they had been lucky enough to qualify. Clearly, by the time pension saving and old-age pensions became more widespread after the second world war, the time had gone up considerably to seven or eight years. It is now 20-odd years for men and—gratifyingly for females—even longer for women.

That shows that there are issues about longevity in society and about how to adapt our pensions arrangements to recognise that we live in what is often referred to as "an ageing society". I believe that it is a great triumph of our organisation of society. Although it presents us with some difficult issues of policy and affordability, it should not be seen or ever portrayed as a problem; nor should the fact that these days many more pensioners reach retirement age and live longer be seen as representing some kind of burden on our society. After all, we all aspire—as I am sure you do, Mr Hoyle—to reaching retirement age and enjoying an extremely happy, long and hopefully prosperous retirement. That is what we are dealing with when we tackle the issue of pension tax relief.

I was pointing out that pension tax relief is more generous than the relief in many other areas of saving. That is because there are great benefits in encouraging people to save for their own pension, despite the fact that they are putting money away to which they often cannot gain access for many years; and also because it is more effectively and efficiently done if it can be done collectively. That is why Government incentives, in the form of tax reliefs, have always featured in the system.

This form of tax relief is often referred to as EET. This is not a stuttering, Steven Spielberg sci-fi film; it stands for exempt, exempt, taxed. That means that as savings are put away from income, they are exempt from tax. Any investment growth that comes from investment in those funds is also exempt from tax—that is the second E. The T, of course, is the thing that many people worry about—the fact that as these savings are taken as an income stream when retirement happens, taxation applies again at that stage.

I doubt whether any Member on either side of the House would quibble with the very generous tax incentives put in place over many years by Governments of all hues, colours and sorts—whether they be coalitions or otherwise—to privilege such tax savings. However, as that has developed, certain features have brought about unforeseen consequences and have not proved to be in the best interests of fairness or equity.

To establish the size of the issue and to put into perspective the amounts of money that we are dealing with under this clause, let me reveal—although I am sure that many Members will already know—that the gross annual cost of pension tax relief for the financial year 2008-09 was £28.4 billion, which at a full 2% of gross domestic product is a not insubstantial amount. Net of the tax on pension income—the T part of EET—and also of the national insurance contribution relief for employers, which are also granted by the Treasury, the figure was £18.9 billion. Therefore, the net cost of that tax relief for pension savings is close to £19 billion. Again, that is not an insubstantial amount of money or revenue forgone by the Treasury.

Another feature of the net figure is how it has been growing in the past few years, having doubled since 1998-99. From being reasonably stable, it has gone up very quickly in a relatively short space of time when we think about life spans and the development of pensions policy in this area. That change has been accompanied by a change in the distribution of the beneficiaries of the tax relief, so there was a very strong case for taking action to put it on a more sustainable and fairer footing, and that is what we were doing with the tax law that clause 5 seeks to repeal by order.

It is a feature of the system, which I am not sure could be avoided without putting huge restrictions on it, that tax relief for pension savings is granted at a marginal rate. By definition, that means that it is more valuable for higher rate taxpayers than for basic rate taxpayers. Analysis has shown that the relief was increasingly benefiting those on the very highest incomes rather than just those on higher rates. So, paradoxically, over time, the very reasonable and logical policy of granting tax exemptions on savings for pensions meant that the incentive to save for a pension was being provided, at a cost to all taxpayers, to those who needed it the least because they were the most well-off. That is the definition of "regressive" in terms of how tax relief might hit. The fact that the system was becoming even more distorted, benefiting those in the very top income brackets, was illustrated by a distributional analysis of the benefits, which revealed that higher rate taxpayers received 65% of the relief but constituted only 19% of pensions savers.

The real distortions were at the very, very top, as those on the very highest incomes were benefiting even more disproportionately. Analysis shows that about 2% of savers currently receive a quarter—25%—of all the tax relief available. I hope that the Minister will agree that that is unjustifiable. It means that if a person is privileged enough to be in the top 2% of earners by income, they are entitled to an average of £20,000 of tax relief per year per person on their pension savings, whereas the average relief available for those who are on the basic rate of tax is just £1,000.

The way in which the relief is granted, its connection to the income tax system—the fact that it is at the marginal rate—and the introduction of the 50p rate for income tax mean that if action were not taken, this massively and already grossly regressive relief would become even more distorted. That is why my right hon. Friend the shadow Chancellor, in the pre-Budget report 2009 and the Budget 2009, decided that action had to be taken to deal with the relief, which had become unsustainable and extremely unfair. It was therefore necessary to have a policy response at the medium and low-earning end of the income scale as well as a policy for the very high end. It is the policy for the very high end that is being repealed in clause 5, but I want to spend a tiny amount of time dealing with the policy at the low and medium end.

The decision to create the national employment savings trust was an essential part of the rebalancing of pension tax reliefs to ensure that they could effectively stretch further down the income distribution. Members will recall that the creation of what is now known as NEST was the outcome of a great deal of work across party lines from 2004 to design a system of pension savings that would deal with the obvious market failure in the private sector of the ability to allow low and medium earners to save in a worthwhile way in a low-cost savings vehicle.

3 pm

NEST was first brought into the structure of pension savings as a result of the work of the Turner commission. The commission sat for two years and produced huge reports. Anyone who wishes to inform themselves about the policy issues surrounding the thorny problems of increased longevity and the ageing of our society, and their implications for our policy approach as an advanced, sophisticated and modern welfare state, should read the evidence and pronouncements of the Turner commission. It is the best available analysis and narrative of those complex issues. It led to two pieces of pension legislation: the Pensions Acts of 2007 and 2008. They put in place a structure that will create automatic enrolment for people, a compulsory employer contribution and—importantly for the subject of pensions tax relief and to this debate—a Government contribution alongside the money that individuals put into the NEST or any other pension structure through which a company chooses to make provision for its workers. This is an essential part of rebalancing the pensions tax reliefs and the extremely regressive skew that I have identified as a feature of the present system.

Automatic enrolment in the scheme is due to begin in 2012, but that is subject to a review that was announced by the new Government. Given the approach to low-cost pension saving, the fact of automatic enrolment, and the creation of a low-cost vehicle that makes saving worth while and does not eat into the savings of people on modest or low incomes through commission and costs, I hope that Members on both sides of the House will still agree that this should go forward. A great deal of work went into creating that consensus, and it is important, given that pension policy has to be developed over many years, that we maintain it across party divides, however much fun they might be at whatever time of the day or night. It is important that we keep the big picture in mind and begin to develop a coherent approach to pension savings.

My firm belief is that the creation of the low-cost vehicle, the NEST, will go ahead, and I hope that this landmark reform will ensure that, from 2012 onwards,

up to 10 million people will get the chance to save into a pension with a guaranteed employer contribution and Government tax relief available for the first time ever. By definition, that will begin to reduce some of the skewed and regressive distribution of pension tax relief that is a feature of our system at the moment.

The measure will also begin to build a robust savings vehicle, which will finally guarantee the end of the current market failure that locks those on moderate earnings out of viable opportunities to save in a pension. It will also ensure that access to appropriate tax relief can be more evenly spread. There remains an issue, however, over the distorted distribution of pension tax relief towards those at the very top of the income scale. That is what section 23 and schedule 2 to the Finance Act 2010 were designed to deal with. Those provisions were specifically targeted at those on the highest incomes who had done so well in the good years. We felt it right that those people should contribute most to the fiscal consolidation that we all knew had to happen in the aftermath of the credit crunch. This was a progressive measure that began to address the distortions that had developed in the system. It also explicitly and deliberately targeted the very richest to bear most of the burden of the redistribution of pension saving tax relief. That gives the lie to the propaganda and constant refrain from Government Members that the Labour Government had no plans for a fiscal consolidation. The measure was an important part of our plan to halve the deficit over the lifetime of this Parliament.

Clause 5 creates the power to repeal by order all the paving legislation put in place by the policy approach that I have described. Page 36 of the Red Book hints at the new Government's intention to deal with this matter. It says:

> "The Government will continue with plans it inherited to raise revenues from restricting pensions tax relief."

So that much we can certainly welcome, and even agree on. The Red Book continues:

> "The Government is committed to protecting the public finances by introducing reforms that raise no less revenue than existing plans."

That amount, as I have already explained, is £3.6 billion by 2012-13. The yield is likely to be maintained at that level or even go higher in the future. From the scoring that we did in government, it had a slow start in the first year—£0.2 billion—while the system was put into place, and went up to £3.5 billion and would remain at that kind of level, but get gradually higher in the future. The Red Book does not feature any scorecard implications, I assume because the Government have said that they will be replacing our yield like for like. They have not predicted what the yield for its replacement policy, whatever that might be, will amount to. One would have thought that it would be at least maintained at £3.6 billion and probably go higher over time.

The sum of £3.6 billion is a significant amount of money to get in by 2012-13. The Red Book goes on to hint at, but gives no firm details of, the approach that might be in the Government's mind as a replacement for the scheme for which we legislated. That approach, according to paragraph 1.118 on page 36 of the Red Book, is to guarantee the same yield by substantial reductions in the annual allowance. The ballpark area that it mentions for those reductions is between £30,000 and £45,000. That is a significant reduction from the current allowance, which is £225,000. No mention is made of the lifetime allowance. The Minister will be aware that there is the annual allowance but also the lifetime allowance for pension savings. I would be extremely interested in any observations that she may have on the Government's attitude to the lifetime allowance. Is it to be kept the same, increased, or perhaps indexed in a different way to the one that we established?

The lifetime allowance is certainly an important part of any debate about these matters, yet the Government have gone all coy about it. They have mentioned a potential range for huge reductions in the annual allowance, but they have not been forthcoming about their plans to replace the high-income excess relief charges, which we legislated for in paragraph 23 of schedule 2 to the Finance Act 2010. The Government are not at all forthcoming about the lifetime allowance, which is why the amendment is trying to get a bit more information out of them.

Geraint Davies: In terms of the public finances, £3.6 billion is a massive amount to be raised in a very tight period, so given that there is so much uncertainty and change around the Government's proposals, does my hon. Friend accept that they present an enormous risk? From the viewpoint of the industry, it appears that the Government are playing fast and loose and are undermining the confidence of the financial markets and credit rating organisations in their capability to manage our economy or their finances.

Ms Eagle: My hon. Friend raises an extremely important point and I obviously look forward to the contribution that he will make to our debate in due course. If he looks at the amendment he will see that the point of it is to try to get more detail about what is in the Government's mind. The time scale for putting the provisions in place is extremely short in relation to the beginning of the new financial year—a point to which I shall return.

The amendment would provide that an order that completely repealed all the paving legislation and all the work to put into effect the higher earnings charge would not be allowed until Parliament has more idea of at least the outline for the proposed replacement arrangements. There are some coy little hints in the Red Book but not much else to go on—certainly no detail—if we are to repeal an already organised charge that has been well consulted on. The amendment also provides for a distributional analysis to show

> "the likely impact of the proposed replacement arrangement; and...the revenue implications of the proposed replacement arrangement."

I accept that the Government have said that they want to replicate the yield, but as my hon. Friend correctly pointed out, the yield is not an insubstantial amount and it rises quickly. In the tax year 2012-13, a yield of fully £3.6 billion for the replacement measure is already on the Budget scorecard.

The planned yield is a considerable sum and the Government need to reassure us that they are not putting it at risk by ripping up all the work that has been done to implement the original policy since it was announced in 2009. There are clear dangers in destroying all that work, wiping it off the statute book and starting again from scratch so close to when the change is meant to come in, not least because of the tight time scales as

we approach the start of the financial year 2011-12, when collection of the revenue is meant to begin. The Red Book states:

"The Government wishes to engage employers, pension schemes, experts and other interested parties to determine the best design of a regime."

That does not fill me with confidence that the Government have the first clue about how their policy intent can be changed into an actual tax change. It is a complex area and they have only a small period to get the measure right.

I assume that the powers will have to be legislated for in the September Finance Bill; perhaps the Economic Secretary can tell me when she replies to the debate. There is not much time—probably only the summer—so I hope she will have a holiday, but I am not sure quite how that will turn out if she is put in charge of sorting out the proposals in an appropriate time. Her officials could get no break at all. To be honest, as they contemplate their second or third Finance Bill of the year, her officials will probably need a break as much as she does. While there is not a lot of time left, there is an awful lot of yield at stake if the Government get this wrong, and that is what we are exploring through amendment 60.

3.15 pm

Parliament deserves a much firmer idea of what is in the Government's mind before it jettisons a well-prepared and well-signalled change that has already involved a good deal of consultation, design, and stakeholder and legislative work. The tax regime to collect the suitably named high income excess relief charge is to be abolished although it has already been consulted on and legislated for. There have also been impact assessments, stakeholder engagement and consultation documents, so all people concerned have prepared for the regime.

I am the first to admit that the charge was not universally welcomed or accepted, especially by those who would have to pay it. Many self-interested and somewhat bloodcurdling arguments were advanced about how trying to distribute the relief more fairly would destroy all pension provision in the UK because it was suggested that those who previously received a completely disproportionate amount of relief would close their employee pension provision out of spite if some of that relief was taken away. It was not surprising that there were howls of outrage from certain quarters when the policy was announced, but it is impossible to justify a system of tax relief that delivers a quarter of its £18.9 billion to just the 300,000 richest people by income in the country.

Unfortunately, it seems that that lobbying effort has paid off under a new Government. The throwaway comment in the Red Book that the policy would

"damage UK business and competitiveness"

is quite worrying because that is usually code for "would hit the very well-off the most". The Government have obviously listened to those with well-oiled lobbying machines who, after all the years of largesse during which the vast majority of the pension tax relief came to them, did not want the party to end.

Thomas Docherty: My hon. Friend is probably aware of many people's anger at the size of the pension pots of bankers such as Sir Fred Goodwin. Does she agree that when many people are struggling as a result of the bankers' decisions, it is outrageous that the Government wish to reward those very bankers by giving them such big pension breaks?

Ms Eagle: I certainly understand that anger, and I suspect that there will be even more anger if the Government do not address the unfair way in which the distribution of the pension tax relief has developed, especially since the simplification from A-day in 2006. We tried to address the problem by targeting the people at the very top who had benefited the most from the relief in particular.

We received representations from stakeholders who called for a simpler system, and it would be wrong of me to try to claim that the system for which we legislated was simple—it was clearly complex. However, when dealing with people on very high earnings who use complex financial arrangements, we often find that that complexity must be matched to ensure that a fair amount of tax is taken from them. In tax and benefit law, as the Economic Secretary will know—she probably struggles with this every day—there is always a trade-off between simplification and fairness, as well as yield. We took the view that despite the complexities of the system that we were introducing, it was right to target very high earners in particular. I state the distributional analysis again: the top 300,000 people receive 25% of £18.9 billion. No right-thinking person in this country with any kind of understanding of what the term "fairness" means would want us to tolerate that kind of distribution.

Simplification is always a popular cry, but there are trade-offs, and it causes different problems if we create a simpler system. We did consider other options, but the trade-offs are inescapable. We want to explore in debate today how the Government are working their way through the trade-offs, so that we can try to assess whether the solution that the Government have hinted at, but have not put before us, is fair, or whether its outcome is less fair than the outcome of the system that we decided on.

The Economic Secretary to the Treasury (Justine Greening): I can see that the hon. Lady and other Opposition Members are following a particular train of inquiry, and that is perfectly right—it is the purpose of this debate. I just draw her attention to the fact that the clause gives the Government the power to repeal the previous measures if we can find a better alternative. If we cannot, I assure her that we will leave what is in place. However, does she agree with the Institute for Fiscal Studies, which described the measures that the previous Government proposed as unfair?

Ms Eagle: It is up to the entire electorate to decide what is fair or unfair. I have set out some of the reasons why we approached what is a difficult problem in the way that we did, but I certainly welcome the Minister's comment that if the Government cannot find a different way of doing things, they will leave the current structure in place. I was wondering about the reference in the clause to December this year. I suspected that that might be what we would call a backstop position. It is important that the hon. Lady has put her point on the record. Taking what she says at face value, I assume that the Government will do some work in the next period. I do not know whether a measure will be in the Finance

[Ms Angela Eagle]

Bill, or how quickly that work will be done, but certainly there is not very much time for a completely new system to be brought in.

Justine Greening *rose—*

Ms Eagle: The hon. Lady may wish to deal with some of the points in her reply on the amendment, but I am more than happy to give way if she wants to intervene.

Justine Greening: The hon. Lady is very kind. Given that she raises the issue, perhaps it would be helpful for the rest of the debate if I set matters out. On the timelines, she is right; we clearly need to make progress quickly. The aim is to publish draft clauses in the autumn, and to legislate in the Finance Bill 2011.

Ms Eagle: I certainly appreciate the information that the Minister has put before us, and it helps us to get on with the debate. I suppose it means that she and her officials will have time for at least a little bit of a holiday this August. Under our plans, the yield begins to come in during the next financial year. I was under the impression that she would have had to ensure that she legislated for an entirely new system in the September 2010 Finance Bill. She now tells us that potential measures for an alternative system will be forced into next year's Finance Bill, which means that an extra £0.2 billion of revenue that was scored for the next financial year will have to be raised. I assume that she will take account of that.

Jon Trickett (Hemsworth) (Lab): The new regime comes in in April 2011. If, as the Minister said, the Government will not bring legislation forward until April 2011, does it mean that we will use the system that we introduced? That will be a second system. There is the current system; the one that we introduced, which will apply from April 2011; and a third one, which will be introduced subsequent to the Government's Bill. Or will the Government abandon our system, and will there be a period of time in which we get less revenue as a result of the complex process that has just been announced?

Ms Eagle: There are issues of process on which I would appreciate the hon. Lady's enlightenment in her response to the debate.

There is also an issue about the backstop position. The hon. Lady says that draft clauses might be brought forward, and, although I am sorry to go on about process, it is important when it comes to tax changes. We gave ourselves close to two years to do all the work to introduce the higher rate relief charge, because it was such a difficult and complex area. We wanted to ensure that those who were liable to pay had plenty of time to plan, understand their liabilities—even if they did not like them, which they rarely do in my experience—and get to know the system, so that there was certainty about it. It now seems clear that there is a degree of uncertainty, which those who would have been particularly badly hit by the high charges, the very richest in our society, might welcome. However, we felt that they should shoulder a fairer burden of the necessary fiscal consolidation, because they had done so well during the good times.

If the Government are serious about protecting the yield, there has to be a trade-off with fairness. The Government have hinted at using the annual allowances as a way of raising that money, rather than our way, and if they introduce that change those on incomes of less than £130,000 will be dragged into the tax net. We wished to avoid that with our solution, so, if the reduction in annual allowances that the Government are considering turns out to be their final decision, in response to the debate will the hon. Lady tell us how many people it will affect? The Government have hinted that that is their preferred way, but our amendment would ensure a distributional analysis of the measure's effect. Given that we legislated for a particular approach to raising that yield, and given that the Treasury did a great deal of work on developing that system, it would be entirely appropriate for the Treasury to produce some comparisons between that and the preferred approach at which the hon. Lady and, certainly, the Red Book have hinted. How great will the sudden tax liability be of people who earned less than £130,000 a year and would not have been affected had our approach to raising the yield gone ahead? How low down the income scale will the restrictions on tax relief go?

Geraint Davies: For clarity, does my hon. Friend agree that the Government's proposal consists of a multi-billion-pound giveaway for the richest 2% of people in this country at a time when the rest of the country faces massive financial penalties due to the actions of international bankers? Those very bankers will be given the extra bonus by this Government, and that is an absolute disgrace.

Ms Eagle: Again, my hon. Friend makes an important point in his characteristically acerbic way. I was going to ask the Minister, in a slightly more polite way, how much of the income that the very richest would have paid will now be paid, under the new plans, by those on lower incomes. I hope she can give us that figure.

The key issue with annual investment allowances is that they drag people into paying the extra tax regardless of income. For example, a modest earner might receive a bequest from a deceased relative and make a big payment into a pension, and under our system they would have been able to pay in up to £225,000 without incurring tax. Alternatively, a modest earner might receive a redundancy payment and wish to put it away, and we clearly want to encourage that if they do not have a pension. If the hon. Lady's system is to be of the sort hinted at in the Red Book, that person would be much more affected, regardless of their ordinary income; they would be deterred from putting anything other than the annual investment allowance into a pension fund because of the nature of the tax. I hope she will at least admit that that is an implication. Has she any numbers that relate to this issue?

3.30 pm

It is important that we should be able to compare the two systems. That is why the amendment calls for a distributional analysis to be laid before the House before the paving legislation is repealed by order. It calls for the Government to give the House more than a few vague hints about the shape of the new regime that they are planning to introduce.

Reading between the lines, it appears that the Government have chosen to pay a price for increased simplicity. That price appears to be that to reduce the tax burden on the very richest, those on lower—but still good—incomes will be hit. Once more, we see a Government choice that protects the very richest at the expense of those who are not as well off. The Liberal Democrat manifesto identified this regressive tax relief and pledged to restrict it completely to the basic rate. Somehow, through the mysterious and convenient process involved in the so-called coalition agreement, that manifesto pledge has been translated into saving the very richest—perhaps even bankers, as has been said—from large tax burdens and paying for that by clobbering those below them in the income distribution. That definition of "progressive" is even more peculiar than that applied to the VAT rise.

Will the Minister deal with a couple of other questions? There is only a short time before the new financial year. She has said that it is now anticipated that the measure will not be introduced until the Finance Act 2011. How will she protect the £3.6 billion yield, given that that will come in a year earlier? How will we avoid a situation in which the order has to be made before December this year? The new system will not be legislated for and might not even be designed. Surely there will be a space in which the £3.6 billion yield will be at risk, and there will be no approach to ensuring that we can maintain it.

Will the Minister also assure the House that the new regime will be put before us properly and in detail? Will there be consultations, especially with those lower down the income scale, who, it would appear, will now be affected by the changes? Will she also tell us what is happening to the anti-forestalling legislation, which is not repealed by the clause? Will the new regime put the burden of compliance on HMRC rather than on pension providers, which bore the brunt of the approach that we took on this issue? At a time when the Chancellor is boasting of very large cuts in departmental budgets, does the hon. Lady feel that HMRC can cope with the extra burdens that this very sudden, very late, policy change will impose on it?

Finally, what will happen if it all goes wrong? The Minister has hinted that if the Government feel that they cannot intellectually work something out between now and December this year to replace the yield, they will maintain the current system. My experience is that one can have an intellectually coherent approach to a tax change that looks fantastic on paper until one tries to turn it into actual approaches. That stage might well come after the stage that her new policy is able to reach by December this year.

What is the plan B if it all goes wrong? We spent nearly two years ensuring that we could turn our approach into a reality that worked, even though it was not popular among those who were going to have to pay it. The hon. Lady does not have that amount of time. Will she reassure us that the whole thing will not collapse in a heap? I look forward to her response on that point.

Mr Kevan Jones: Over the past few weeks since the coalition came into being and the announcement of the Budget, the rhetoric that we have heard has been all about fairness. The Prime Minister and the Chancellor have said on many occasions, "We're all in this together." The other phrase is, "There's no alternative." We have heard the accusation that the previous Labour Government did not have a deficit reduction strategy. Well, this element was a key part of that—£3.6 billion of it.

I am quite sad that only one Government Back Bencher is in the Chamber, and I notice that the Liberal Democrats have not been here throughout this debate. During the election, we heard nothing about the VAT rises, but we also heard nothing about the fact that one of the things that the Government would do in their first Finance Bill would be to give a £3.6 billion tax give-away to the richest 2% of pensioners. I am sure that that would have gone down very badly with the electorate if the Government parties had been honest with us at that time. During the past week, the Liberal Democrats and the Conservatives, in their great coalition together, have been arguing that VAT is not regressive, although a key exception is the hon. Member for St Ives (Andrew George), who has found this policy very difficult. However, one cannot say that the measure we are debating is progressive at all.

Sammy Wilson: Does the hon. Gentleman accept that if the amendment, which would require a distributional analysis of any changes, were accepted, we would be in a position to make a judgment on whether a system that is complicated, as the shadow spokesman said, was at least being replaced with a system that was fair and did not, as the hon. Gentleman says, give a huge amount of money to the very richest people?

Mr Jones: I entirely agree with the hon. Gentleman. There seems to have been confusion from the Minister in the sense that she is saying, "Nudge nudge, wink wink, say no more"—in other words, that the Government might not actually introduce this measure. If this change is to be made, we need to know who it will affect lower down the income chain. If the top 2% are not going to carry their share of the burden, people lower down the tax scale will be affected, such as pensioners, who are already being hit by VAT and other implications of this Budget.

This proposal affects 300,000 people—2% of pension savers and 1% of working age taxpayers. We are being told that it is fair, just and progressive to abolish what was put forward by the previous Labour Government, which would have raised £3.6 billion to help to reduce the deficit that was created because of the lending we had to provide following the economic crisis. I am sorry, but I do not accept that that is fair, and I think that if this were explained to most members of the public, they would agree. Currently, no one who earned under £130,000 a year would be affected by this measure. If someone is in a Cabinet packed full of millionaires, that perhaps skews their perspective on what poverty is and what income buys. However, the average member of the public, certainly in North Durham, would be appalled by the fact that we are going to let off people who are earning what is not just a good wage but, for most of my constituents, a fantastic, unimaginable wage.

Thomas Docherty: My hon. Friend is obviously very much in touch with the north-east of England. Would he care to speculate as to whether, among the 2% of the population who will benefit, there will be an equitable

[Thomas Docherty]

distribution across the UK, or whether the vast majority who will benefit will be located in certain parts of the country not too near his constituency or mine?

Mr Jones: My hon. Friend raises a good point. Clearly the net beneficiaries will not be in the north-east of England, Northern Ireland or Scotland. They will be those in the south-east of England. The disposable income of those individuals will be a lot greater than that of a lot of our constituents, who will be hit by the VAT increase.

We have seen that give-away, but there is something else in the Budget that I find absolutely amazing. We heard the other night that under the corporation tax proposals, the banks will be given a cash-back of £400 million. The same individuals will no doubt benefit from the proposals that we are currently discussing. We have been hearing the mantras in the past few weeks that there is no alternative and that Labour left the economy in the mess.

Chris Leslie: We're all in it together.

Mr Jones: Let us not forget that one. However, the proposal in clause 5 will leave a big black hole in the deficit reduction strategy. The Economic Secretary hinted, "Well, we might not do it, or we might do something different." I am sorry, but if we are to have a thought-out plan to reduce the deficit, that is not the way to approach the matter. What we need is firm figures that do not make the poorest in society pay, which the proposal clearly will. She needs to explain to the House why neither she nor the Liberal Democrats went into the election saying that they would make this change. A lot of pensioners will find it very difficult to stomach.

Ms Angela Eagle: Does my hon. Friend agree that neither partner in the coalition Government went into the general election telling pensioners that they would change the definition of indexation from the retail prices index to the consumer prices index, either?

The Temporary Chair (Mr David Amess): Order. I hope that before the hon. Gentleman responds, he will reflect on the fact that the point that has just been made is not really relevant to the matter being discussed.

Mr Jones: I would not want to go against your judgment, Mr Amess, but may I say that my hon. Friend's point is another example of how hard-working pensioners in my constituency will be affected by the Budget? However, I defer to your wise counsel and would not want to get on the wrong side of you.

Distributional analysis is needed before anything is done. We also need to know, if the relief charge is not going to go ahead, where the money is going to come from. It will affect pensioners lower down the income scale. Many on quite small incomes, who have saved all their lives for their pensions, will basically be paying for a give-away to the richest 2% in the country.

I hope that we can get the message out loud and clear from today's debate that we have a Government who are clearly taking care of their friends, the top 2%. They have to start being honest with the British people—this Budget is not about deficit reduction. It is about an ideological approach to where the burden of taxation should fall and to the size of the state, and it will not help many of my constituents in North Durham.

3.45 pm

Geraint Davies: It is a great pleasure to follow my hon. Friend the Member for North Durham (Mr Jones), who puts his finger on one of the key points. Obviously, the previous Government were attempting to raise £3.6 billion to tackle the budget deficit. They targeted the top 2% of people—those earning more than £150,000, including employer contributions. Those people anticipated that increase and budgeted for it and now, in the ashes of the economic downturn imported from the United States, the impact of raising the £3.6 billion is being spread across a much wider pool—10% of the people.

As has already been said, the suggestion that we are all in it together rings hollow. Public sector workers are on pay freezes and the incomes from their pensions, like those from private sector pensions, will be reduced by 16% over 20 years through the other change that has been mentioned—the link to the consumer prices index. On top of all that, the tide of the £3.6 billion will break over them. The impact will be great, and I very much regret it.

Mr Kevan Jones: Does my hon. Friend also agree that the 2% of taxpayers who will get the £3.6 billion cash give-away are also in a position to take tax and accountancy advice, which could reduce their tax liabilities? That will not be open to pensioners who are paying the VAT increases or the public sector workers to whom he referred.

Geraint Davies: My hon. Friend is right. The status quo proposal of getting the £3.6 billion from the top 2% was based on standing back and considering whether there should be greater tax relief for those who are already the richest. The answer was no. At difficult times, those with the broadest shoulders should bear the greatest burden, but now, the burden is being taken from them and placed on much weaker consumers. That will undermine the attractiveness of pension schemes among larger numbers in middle income groups.

In essence, the proposal is to reduce the tax allowance from £255,000 a year to some £30,000 to £45,000. That creates an enormous difference in how many and which people are captured, and generates great anxiety in the industry—the providers that it represents and consumers whom it serves.

Justine Greening: May I confirm that I have understood what the hon. Gentleman prefers? Would he rather have tax relief at 20% for people who can afford to pay up to £250,000 into a pension fund in one year?

Geraint Davies: The Economic Secretary knows that the distributional impact of the proposals is, as I have said, to spread the £3.6 billion burden from the top 2% to 10%. It is as simple as that. She knows that that is the case, and there is no way that she can wriggle out of that political and economic fact. Before the election, there was a promise that million pound estates would avoid inheritance tax—the top 5,000 households. At the last moment, the Chancellor stepped back and said,

"Oh no, at such difficult times, we won't give billions of pounds to the top few thousand households. Don't worry. Vote Tory." However, their secret plan was to have a word behind the scenes with their rich mates, telling them, "Don't worry, we'll reverse the Labour party's old plan to make sure that the top 2% pay most."

Chris Leslie: My hon. Friend is making several important points. The clause appears to reinstate an enormous tax relief capability for the wealthiest, yet the Economic Secretary guffaws at questions from Labour Members about taking it away. Surely the Treasury should clarify the position.

Geraint Davies: My hon. Friend is right. Only yesterday, he lucidly pointed out that, when we went into the election campaign, the Conservatives were saying, "We won't help the rich with inheritance tax, and we'll get those bankers with the bankers levy", but that the levy of £400 million will be nullified by the corporation tax give-away to the bankers. On top of that, we hear not only that the bankers will not pay a levy because they get corporation tax back, but because of this proposal they will have the £3.6 billion in pension contributions. That is an absolute disgrace.

The Government argue that the measure is both fair and effective. I have already argued that it is clearly not fair and will not labour the point any longer, but is it effective? That the previous scheme was complex has been acknowledged, but the new system is also complex. There is enormous uncertainty within the industry, which is asking how pensions can be accrued in defined benefit schemes, how they will be valued under the proposals, and what will be the impact of the proposal on the provision of such schemes and what will be the impact on basic rate taxpayers. There are also compliance and delivery questions, and all sorts of other questions, and the measure must be delivered within a very tight time frame. We are therefore playing fast and loose with our economy and public finances, and with the confidence of the international community, in order that the Tories can bail out their rich friends. That is quite outrageous.

The Government say that the matter will not be done and dusted immediately, but that the measures give them various regulatory powers to withdraw Labour's well thought out proposals and to leave a void. Specifically, it is said that there will be a discussion document in the summer of 2010, meaning that there will be a big discussion among the stakeholders on how the Government are going to recover the £3.6 billion that they would have made from the top 2%. The Government say, "We'd better not take that £3.6 billion because we'd be taking it from our friends, but we don't know how we're going to recover it, so we'll have a stakeholder discussion in the summer," which will presumably take place in the Maldives or somewhere similar.

Chris Leslie: Again, the Labour party was trying to close the loopholes for the very richest and to reduce some of the tax give-away for the millionaires. The Minister is asking the House to trust her while she shuffles the rules—that is what clause 5 effectively means—but does my hon. Friend think that the Government, given their track record, can be trusted on this matter?

Geraint Davies: I certainly do not think that the Government can be trusted but, more importantly, do the industry, consumers and the wider financial community trust them to get their ducks in a row and recover the £3.6 billion? Much was made of the Chancellor saying, "We've got to get all this money and get the deficit down, otherwise we might be re-rated," but suddenly we do not know where a key component of that—£3.6 billion—is coming from.

I mentioned that there will be a discussion group of stakeholders in the summer. The previous Labour Government considered reducing the annual allowance and all the other options. It is on the record in *Hansard* that the annual allowance proposal was rejected partly because it was less well targeted—as has been said, we wanted to focus on those who are able to pay most easily and without great pain rather than make the weakest pay more—and partly because of its complexity.

Another key point I wanted to make—I do not think it has been made clearly enough—is that primary legislation is necessary to reduce the annual allowance. The proposal in the Bill is half-baked. It gets rid of a system of gathering £3.6 billion and the Government are incapable of replacing it with an alternative. I object to the clause not just because of the discussion with stakeholders and the uncertainty, but specifically because section 282(2) of the Finance Act 2004 states that the annual allowance set by Treasury order must not be less than the preceding year. Given that the allowance is £255,000, it cannot suddenly become £30,000 to £45,000 without changing that legislation. Such a measure is not included in the Bill, which is another indication of how half-cocked the proposals are. We are discussing a Finance Bill now, but we would need another one before April 2011 to change that allowance. The proposal is incomplete and will mean uncertainty; it demonstrates ineptitude and incompetence; and it undermines confidence among industry providers and consumers. After all, we want more people to save with certainty, so that they have comfort rather than hardship in what we hope will be their long and happy retirements. This will undermine those prospects. People will be less likely to subscribe to sensible, robust pension schemes for the future.

The Government are giving themselves the power to repeal primary legislation by order without knowing exactly what will be put in its place. That is a half-baked approach. Amendment 60 calls for an analysis of "the likely impact". I tabled an amendment that was not selected, but it simply suggested that this clause should be scrapped. We have looked at the issue, and we know what the distributional impact will be, albeit not in detail. We know that the rich will be let off the hook, and more widely it will cause massive uncertainty about the future. There may also be a question mark over whether we can fulfil our financial obligations as set out in the Budget.

Towers Watson, which is a leading consultant on pensions, says that lowering the annual allowance to £30,000 would lead to tax charges for long-serving final salary scheme members. That means that employers would pull the plug on such schemes. That is not my claim, but that of industry experts. We have already seen across British industry the loss of reliable and robust final salary schemes. Towers Watson says that the changes will undermine final salary schemes because they will not be as useful in retaining staff if they have a

[Geraint Davies]

tax bill attached. The Minister has not thought this through. If big employers have these final salary schemes, their staff stay with the company because they know that each year they gain a little more benefit, instead of going to a predatory competitor company.

Towers Watson argues that the Government can either introduce a simple system or a fair system, but not both. A rough and ready approach was fine when a few were worried about the annual allowance, but the Government's proposals would have an impact on hundreds of thousands of people. All the stakeholders will be running around wondering what the changes will mean for them and providers will wonder whether they should provide a different scheme. I mentioned KPMG before, and I will not go through all the consultants in terms of their support for my position, but KPMG says that the number of pension savers affected has widened from 2% to 10%. PricewaterhouseCoopers says that the level will need to be £30,000—as opposed to £30,000 to £45,000—to raise the £3.6 billion needed. The movement from £255,000 to £30,000 is a radical change and we are still consulting on it.

PricewaterhouseCoopers says:

"Employers need certainty over the regulatory framework for pensions if they are to be remotivated to provide quality workplace pensions."

The Government's proposals are unfair, unclear, half-baked, fast and loose and a massive new multi-million pound bankers' bonus to pay back many of the people who put us in this mess in the first place. They are disgraceful and should be withdrawn.

Sammy Wilson: I have only a few points to make. The Conservative party's fortunes or misfortunes do not really affect us in Northern Ireland so I am not seeking to score political points or to say that the Tories are bad people, even though they may be considered to be so by many people. However, the basic issue that hits everyone in the face in considering this measure is how it sits with the claim by the Government that the Budget is fair.

4 pm

The core of my argument is this: is this a fair way of dealing with this particular issue? Perhaps the Minister can confirm whether the Government have decided that the current system is so complicated that it needs changing to such a degree that the £3.6 billion will be unrealisable. If simplicity will result in less money, we are obliged to know where that money will come from. On the other hand, if the change is intended to raise the £3.6 billion—but not in the way that it is currently raised—logic dictates that it can be raised only by distributing its collection among people who are not currently paying towards it, which means going down the income scale. That is where the issue of fairness comes in.

The first question I want answered, therefore, is whether it is the intention to raise that £3.6 billion. If so, how will it be distributed? The shadow Minister admitted that the system put in place by the previous Government was complicated—that is probably one of the things exercising Treasury Ministers at present—but if there were a simpler method, I assume that it would have been tried already, because nobody wants to put in place an unnecessarily complicated system. It might well be that something that previously escaped the people who designed the pension tax relief has suddenly appeared to them. If so, perhaps a way can be found to keep the same distribution but collect it differently. Were that the case, however, I suspect that it would have been found already.

A second issue, on which the amendment is quite clear, needs to be addressed. The Minister indicated in an intervention that the power being asked for might never be exercised, but I suspect that it is being requested because it will be exercised at some stage. If that is the case, and if the Government have nothing to fear from the amendment, in the interest of ensuring a collective and positive response to the Budget, and so that it can be seen to be fair, a clear distributional analysis, which the amendment asks for, should not be something that the Government walk away from—the amendment should be easily accepted. I would be interested to hear from the Minister whether that part of the amendment will be accepted, or whether there is some fear about the Government's doing so. In our earlier debate about insurance, the Exchequer Secretary said that the amounts are so minimal that we do not need a full impact assessment, but the amount here is not minimal—it is £3.6 billion—so a distributional analysis should be called for.

The third comment I wish to make has already been made by other Members. We are going to have the current arrangements until the end of the year, then we will have the previous Government's amendments for the next year, and then we will have new arrangements for the following year. In this industry, people, including all of us as pension contributors, want some certainty about where our pensions are going, what kind of contributions we will have to make and so on. It therefore strikes me as odd that a Government who say they want to make the running of the economy more simple—by reducing red tape and bureaucracy for industry—should be having three systems in three different years. That seems to go against the arguments that the Government have put forward about how they wish to deal with industry and the economy generally.

For all those reasons, Opposition Members have legitimate grounds for wanting to raise their genuine concerns about the clause and move amendments to it, and are not doing so just as an exercise in political point scoring. I would prefer the clause simply to be removed, rather than the amendment be accepted, but I shall be interested to hear the Minister's response to the points that have been made.

Thomas Docherty: I shall be relatively brief. It is perhaps worth noting that since my hon. Friend the Member for North Durham (Mr Jones) first commented on the lack of interest from those on the Government Benches, there has been a flurry of—I suspect—BlackBerry messages going out, so that we are now being treated to no fewer than five Conservative Back Benchers. They have joined us for the afternoon, yet not a single Liberal Democrat has arrived in the Chamber.

It would be wrong of me to suggest that the Liberal Democrats are simply uninterested in the Budget, so could it be that the Chancellor, having been thwarted in his plans for a millionaire's inheritance tax break, came up with a new wheeze after the coalition deal? How could he help his friends in the City? Unsurprisingly, the Chancellor's new wheeze is to reverse the previous Government's policy of trying to find a more equitable

approach to pensions. That, I suggest, is the reason why our Liberal Democrat colleagues have not been advised of the importance of this debate. For if they saw the skilful manoeuvre that the Economic Secretary is trying to perform on the Committee today, they would surely rush to the Chamber to show their outrage at this terrible scheme.

It is a slightly unusual situation when a Minister as artful and articulate as the Economic Secretary tells us this afternoon that the current system is terrible—that it does not work; that it is unfair and unclear—yet has not been able to articulate what would replace it. It strikes me, as a perhaps naive and innocent new Member, that the starting point for any Government—particularly a Government who are so terribly keen to reduce regulation and bureaucracy—should be as follows: rather than introducing legislation that has no purpose except to give them some wriggle room, the Government would have been better off spending their time coming up with an alternative proposal for the Committee to examine, instead of giving the Minister the opportunity to spend her summer and that of her civil servants coming up with a new scheme.

To conclude, although I look forward to the Minister's reply, I suspect that we will hear no detail whatever about what the Government plan to replace the current system with, and that in six months' time she will not have been able to find a suitable replacement.

Justine Greening: May I start by saying what a pleasure it is to serve under your chairmanship, Mr Amess?

We have had a wide-ranging debate today and I will do my best to answer a number of the issues that Opposition Members have raised. However, it would perhaps be best for me first to set out the background to this debate, as the shadow Minister did. This issue was first looked at by the previous Government, and we have returned to it as a new Government. The coalition Government inherited from their predecessor the largest budget deficit of any economy in Europe, with the single exception of Ireland. One pound in every four that we spend is borrowed. The gap stands at £149 billion for this financial year alone.

The previous Government had planned to raise extra revenue through the restriction of pensions relief for higher-rate earners. As we have heard, that approach was due to raise £4 billion to £5 billion a year by 2014-15. Given the appalling state of the public finances that we have been left as a new Government, it is something that we cannot ignore.

On Second Reading, my right hon. Friend the Chief Secretary set out our commitment to fairness. This is a progressive Budget that ensures that every part of society makes a contribution to deficit reduction, while protecting the most vulnerable, especially children in poverty and pensioners. The Budget has a number of measures to support pensioners, not least the triple lock guaranteeing an annual increase in the state pension in line with earnings, prices or a 2.5% increase, whichever is the higher.

Ms Angela Eagle: Will the hon. Lady give way?

Justine Greening: Let me make some progress.

That will benefit 11 million pensioners across the country. Through clause 6, which we will debate next, the Budget will enable individuals to make more flexible use of their pension savings.

Returning to clause 5, the Government have considered pension tax relief issues and believe that reform is a necessary part of their commitment to tackling the fiscal deficit. It is worth citing the views of Robert Chote, who heads up the Institute for Fiscal Studies, following the Budget. He spoke about this measure on 23 June:

> "Perhaps the most welcome change was the decision to rethink the last Government's complex, unfair and inefficient plans to limit pension contributions relief for high earners."

That was what he thought about it.

Ms Eagle: On that point, does the Minister also agree with the IFS analysis of the Budget, which pointed out that it was not progressive, but regressive, and that the most progressive elements of it were those that she inherited from the previous Government's Budget?

Justine Greening: Many people on the minimum wage will not view it as progressive for someone who can afford to pay upwards of £100,000 a year into a pension fund to be given a 20% marginal rate tax break. In fact, that was not the only problem. Having listened to the concerns of the pensions industry and employers, this Government have real reservations about the approach towards pensions tax relief that was adopted in the Finance Act 2010. We believe it could have unwelcome consequences for pension saving, bring significant complexity into the tax system and damage UK business and competitiveness. The director general of the CBI said of the previous Government's measure, brought forward in the Finance Act 2010:

> "This will have serious consequences—it will make it much harder for UK business to attract and retain global talent... In every way, it's a bad move."

In addition, a number of features of the approach adopted in the Finance Act 2010 were unfair. For example, it included a very complicated income test, which made it difficult for individuals and advisers to understand. It also made it difficult for individuals to plan, as they would not know their final income until the end of the tax year so they would not know until then whether or by how much they would be affected. The income test also created many perverse incentives, avoidance opportunities and anomalies. For example, different charges could arise, depending on whether an individual or their employer made the pension contributions.

Under the approach in the Finance Act 2010, individuals on the highest incomes, who are able to put in very large pension contributions—upwards of £100,000 to £200,000 in one year—would have continued to get pensions tax relief, as they would still have been able to get relief at the basic rate rather than the higher rate. That is worth up to £51,000 a year. Given our concern for fairness, we believe—

Mr Kevan Jones: Are you going to stop it?

Justine Greening: We are proposing a different approach, which would address that very measure. The decision for the hon. Gentleman to take tonight is on whether people who are able to pay £100,000 to £200,000 a year into their pension fund should be able to get tax relief at the basic rate. That is the question for him to answer.

Ms Angela Eagle: There are hints in the Red Book about the annual allowance taking the strain, so will the Minister tell us whether that is the only approach that is going to be looked at, or is she considering a range of

[Ms Angela Eagle]

different approaches? She is comparing a system that was legislated for and consulted on with a replacement about which the House has no real information. As I say, there is a hint in the Red Book, but nothing else. Will she help us focus on the comparison by doing us the courtesy of telling us what her Government are going to develop as an alternative?

4.15 pm

Justine Greening: I was just about to come to that. One thing that we know right now about the existing plans is that if they came in from April 2011, they would curtail, but still give, basic rate tax relief to people who can afford to pay hundreds of thousands of pounds into a pension every year. Our alternative approach looks principally at significantly reducing the annual allowance to curtail that effect. We think that the annual tax relief available will potentially be restricted to less than half that available under the previous Government's plan, significantly curtailing the ability of the super-rich to benefit from pensions tax relief. That alternative approach is supported by the pensions industry, including the National Association of Pension Funds, as well as employers and their representatives, including the CBI. The Government are keen to continue to engage with the pensions industry, employers and other interested parties to specify the level of the annual allowance, and other relevant design features.

Let me leave no uncertainty about our fiscal objectives. The Government are clear that a reduced annual allowance approach would have to raise no less revenue than the existing plans to restrict pensions tax relief in order to enable us to meet our commitment to deficit reduction. That is why we are not repealing the existing regime at this point, while we are finding a better way of achieving our objectives.

The hon. Member for Wallasey (Ms Eagle) asked for more detail. Our provisional analysis suggests that the appropriate level for the annual allowance could be in the region of £30,000 to £45,000 in order to deliver the necessary yield to the Treasury. However, the level required would be influenced by a number of policy design features in the revised regime. Once those have been decided, we can repeal the measures in the previous Government's Finance Act 2010. Clause 5 therefore gives the Treasury a power to make an order repealing section 23 and schedule 2 in that Act.

Those measures, which are known as the high income excess relief charge, restrict pensions tax relief to the basic rate for high-income individuals, with effect from 6 April 2011. Let us be clear, however, that they still give basic rate tax relief to high-income individuals. The Government want to consult on a new approach. We want to discuss how best to design an alternative approach to make sure that it can operate fairly and effectively. The power to repeal is time-limited, because we recognise the need to resolve the design of the restriction of pensions tax relief as quickly as possible. We have already begun discussions with groups, which will continue through the summer.

Amendment 60 proposes that we should publish a report outlining the new arrangements and details of the yield implications and distributional impacts. I have some sympathy with the thrust of the amendment, but it will ultimately be unnecessary, because there will clearly be a chance for people to look over the draft legislation, and we will not repeal the high income excess relief charge until details of the alternative regime have been finalised and set out in public.

Ms Angela Eagle: I thank the Minister for giving way on this important point. Will she undertake to provide a distributional analysis so that we can compare directly the effects of the system that she wants to repeal, with the system that the Government finally settle on if she can find an alternative? That is the essence of the amendment, so her answer to this question is quite important.

Justine Greening: A whole range of analyses and impact statements will come out with the legislation. I suspect that, as my hon. Friend the Member for Chelsea and Fulham (Greg Hands) behind me is saying, any work that is done would give an answer that Opposition Members would not like, because it would show that we are no longer going to give basic rate tax relief to people who can afford to pay hundreds of thousands of pounds into a pension pot every year.

Let me address some of the issues that have been raised. I have set out the time frame within which we want to progress towards a better alternative to the current system. We all agree that, for pensions tax relief to remain affordable, we have to limit high levels of tax-privileged pensions saving, but we think that there is a better way of doing it than the one set out by the previous Government. We believe it is important to reduce the annual allowance to prevent people from saving £255,000 a year tax free.

The hon. Member for Wallasey mentioned instances of people suddenly being able to pay a large amount into a pension fund on a one-off basis. She was right to raise that matter, and we shall be looking at options for protecting basic rate taxpayers and supporting any hard cases caused by such one-off spikes in pension accruals. She also asked about the lifetime allowance being changed. We have not ruled that out, but it is obviously a key mechanism that sits alongside the annual allowance. We shall therefore have to look at it in the context of where we end up going with the annual allowance limit. I should say that all this is subject to being able to work with key stakeholders to get something that we believe we can rely on. That is why the provisions will give us the power to repeal that measure, if we can find a better way.

I particularly want to respond to the argument from Labour Members that our proposals would somehow give a tax break to the most well-off people in the country. Let us have a look at some of the figures involved. Of course, the minute I say that, I lose the relevant bit of paper. Ah, here it is. Under the terms of the Finance Act 2010, someone who is contributing £283,000 to their pension fund on an annual basis would have had a tax charge, net of pension relief, of £85,000. Someone making the same contribution to their pension pot under a potential annual allowance level of £35,000 would have a tax charge, net of relief, of £124,000. The reason for that is that they would get 20% tax relief on the income that they would otherwise have paid a much higher rate of tax on. That is why they

would pay just under £40,000 a year more under our proposed scheme than they would have done under the previous Government's arrangements.

I wonder whether those Labour MPs who are so concerned about the impact of tax policy on the better-off people in this country will go through the Lobby today and vote for a measure that means that people who can afford to pay £283,000 a year into their pension pot will pay £40,000 less tax than they would previously have done. I do not know what Labour Members think "good" looks like in relation to taxing better-off people, but I guess I will find out when we have a Division on this amendment shortly.

Chris Leslie: The hon. Lady is talking to us as though we were schoolchildren, but she will not publish her proposals. Will she now agree to place in the Library a copy of the table that she has in front of her straight away, or this evening, so that we can all share in this secret plan?

Justine Greening: I would have thought that the hon. Gentleman was so intelligent that he could do the maths himself. The calculation is pretty straightforward. It is a bit like doing a tax calculation where someone has an allowance and then a rate, and they apply it to the excess of the allowance that they are paying in extra.

Matthew Hancock (West Suffolk) (Con): Does my hon. Friend remember a distributional table ever being placed in a Budget under the Labour Government?

Justine Greening: I have no recollection of that, but I will not take up more of the time of the Committee. The last figures that I set out probably spoke louder—

Chris Leslie: On a point of order, Mr Amess. Is it in order for the Minister to withhold information to which she has clearly referred in the debate from the rest of the Members engaging in the discussion?

The Temporary Chair: That was not a point of order.

Justine Greening: It seems that I'm damned if I give information and damned if I don't. I was asked to provide some facts, and I made sure that I gave some facts and figures. Now that I have provided some to the Committee, apparently that is a bad thing to do too. I think the problem is that the figures I have just provided are not ones that Opposition Members want to confront. They are about to go through the Lobby and vote on people who can afford to put a couple of hundred thousand pounds into their pension pot paying more tax net of pension relief than less.

Thomas Docherty: I am grateful to the Minister for helping us to understand how much the Chancellor can afford to put into his pension fund. How can we confront figures that we do not get to see?

Justine Greening: I was asked for some figures and what the impact would be on the very richest. We can probably find in *Hansard* tomorrow that I have just provided the Committee with that information. That is probably the way in which debates are meant to work. Ministers have questions put to them and if they can answer them in some detail, they do. That is what I have done. I have set out in some detail why we are pursuing the clause. I hope that everyone realises that it is sensible and a pragmatic way to address the industry's concerns. The industry faced a £1 billion bill for implementing excessively complicated and unfair tax changes on pensions tax relief. We hope that we can reach a conclusion with the industry and all stakeholders, but the key issue is to address the fiscal deficit, so any solution will have to bring in no less money than the mechanism intended by the previous Government.

Ms Angela Eagle: We have had a long discussion, so I will be brief. I appreciate the information, such as it was, that the Minister was able to put before us about the shape of the alternative scheme. It is a bit like shadow boxing when one tries to compare a scheme that has already been legislated for with one that has been only hinted at in the Red Book. That has been the problem with this debate.

I was candid about the issues and trade-offs that we had to go through to come up with the structure for which we legislated in the Finance Act 2010. I hope that the Minister and her colleagues will be as candid as they try to develop this other method. She said that she was sympathetic, but she is still resisting the amendment to put a report before the House that will contain distributional analyses and much more information about this alternative system. That is a great pity. We shall divide the Committee on that amendment as the Minister has not given us an undertaking to provide that information. I also want a separate vote on clause 5.

Question put, That the amendment be made.

The Committee divided: Ayes 196, Noes 310.

Division No. 26] **[4.28 pm**

AYES

Ainsworth, rh Mr Bob
Alexander, Heidi
Ali, Rushanara
Anderson, Mr David
Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Brennan, Kevin
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Coaker, Vernon
Coffey, Ann
Corbyn, Jeremy
Crausby, Mr David
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Tony
Curran, Margaret
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Elman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila

Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Hain, rh Mr Peter
Hanson, rh Mr David
Havard, Mr Dai
Healey, rh John
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, Diana R.
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Mearns, Ian
Michael, rh Alun
Miliband, rh Edward
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Pearce, Teresa
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reynolds, Emma
Reynolds, Jonathan
Robertson, Angus
Robertson, John
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheridan, Jim
Shuker, Gavin
Singh, Mr Marsha
Skinner, Mr Dennis
Smith, rh Mr Andrew
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Woolas, Mr Phil
Wright, David

Tellers for the Ayes:
Mary Creagh and Lyn Brown

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Huhne, rh Chris
Hunt, rh Mr Jeremy
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart

James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mitchell, rh Mr Andrew
Moore, rh Michael
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Miss Chloe Smith and
Mr Robert Goodwill

Question accordingly negatived.

Question put, That the clause stand part of the Bill.

The Committee divided: Ayes 310, Noes 198.

Division No. 27] **[4.42 pm**

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl

Glen, John
Goldsmith, Zac
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Huhne, rh Chris
Hunt, rh Mr Jeremy
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mitchell, rh Mr Andrew
Moore, rh Michael
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Mr Robert Goodwill and Miss Chloe Smith

NOES

Ainsworth, rh Mr Bob
Alexander, Heidi
Ali, Rushanara
Anderson, Mr David
Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Coaker, Vernon
Coffey, Ann
Corbyn, Jeremy
Crausby, Mr David
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Tony
Curran, Margaret
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Elman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne

Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Hain, rh Mr Peter
Hanson, rh Mr David
Havard, Mr Dai
Healey, rh John
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Johnson, Diana R.
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCann, Mr Michael
McClymont, Gregg
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Mearns, Ian
Michael, rh Alun
Miliband, rh Edward
Morden, Jessica
Morrice, Graeme
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Paisley, Ian
Pearce, Teresa
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, Angus
Robertson, John
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheridan, Jim
Shuker, Gavin
Singh, Mr Marsha
Skinner, Mr Dennis
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Woolas, Mr Phil
Wright, David

Tellers for the Noes:
Kerry McCarthy and Mary Creagh

Question accordingly agreed to.

Clause 5 ordered to stand part of the Bill.

Clause 6

TREATMENT OF PERSONS AT AGE 75

Stewart Hosie: I beg to move amendment 16, page 3, line 12, leave out '22 June 2010' and insert 'a date set by the Secretary of State by regulation.'.

The First Deputy Chairman of Ways and Means (Mr Nigel Evans): With this it will be convenient to discuss amendment 17, in schedule 3, page 19, line 38, leave out '22 June 2010' and insert 'a date set by the Secretary of State by regulation.'.

Clause stand part.

Schedule 3 stand part.

Stewart Hosie: I do not intend to delay the Committee. By and large, I am very supportive of clause 6. The two-year extension for people reaching the age of 75 in order to allow them to buy an annuity when it is most effective for them is a good thing to do. The clause seems to be pretty well drafted and the description of it is extremely good. I am pleased about the protection in paragraph 8(2) of schedule 3, which provides that if a member dies before a year has passed since their 75th birthday, and at the date of death there are still funds held for the purposes of the arrangement that have not been designated as available to pay an unsecured pension, not paid as a lump sum, and not applied towards the provision of a scheme pension or a dependent's scheme pension, those funds are treated as though they had been designated as available for the payment of an unsecured pension and will then be taxed on death at a rate of only 35%. That makes sense.

However, I am aware, through a constituent of my hon. Friend the Member for Angus (Mr Weir), that there are a small number of individuals who have already reached 75, or will hit 75 before 22 June, and who did not buy an annuity because it was not worth it or not effective. I want to describe the position of that person and then see what help the Minister might be able to provide, or hear her explanation of how the clause might assist.

As the rates for annuities were very low, this gentleman did not take up one on reaching 75 in 2007. Instead, he chose a scheme pension that allowed him, subject to pension regulation supervision—a specialist firm did that for him—to continue to manage his pension fund for a period of 10 years and take the actuarially calculated levels of income from it. That was very sensible and prudent. However, the downside is that on his death, if any of that fund is left, it will be subject to inheritance tax at a rate of 80% before it passes to a family member of his choice.

Mr Mike Weir (Angus) (SNP): Indeed it was a constituent of mine who brought the matter to our attention. Does my hon. Friend think that a way round might have been for the clause to allow anyone to take the extra two years if they were to reach age 75 or were already in that position? I cannot imagine that the numbers affected would be huge, but it would have got round this particular problem.

Stewart Hosie: It may have got round the problem. That is one of the questions that I shall put to the Minister.

If the 80% IHT rate is correct, as I believe it is, the situation seems dreadfully unfair, although I recognise that it occurs because of the tax benefits of the pension saving over a person's lifetime. Of course, people cannot benefit from the same tax twice; I appreciate that. However, I suspect that of the people over 75 who had the means to purchase an annuity but did not, very few would want to do so now. We may be talking about some very wealthy people who would always manage their own pension anyway. I welcome the protection for those who hit the age of 75 on 22 June or thereafter, but people aged between 75 and 77 will feel extremely hard done by if they just miss that cut-off date. There are also those who were already 75 a year or two before and chose not to buy an annuity but are managing their pension provision.

This is a matter of natural justice and fairness. I imagine that the numbers of people who are in this position and would want to buy an annuity are very small, so I am looking to see what protection there might be in the Bill. We may reach a situation whereby there is simply a cut-off, so that even if someone reached the age of 75 on 21 June 2010 and found it not worth buying an annuity, they would no longer be able to take advantage of the two-year gap, which would be a sensible thing to do.

I hope that the Minister can give us some comfort as regards the small number of people, all of whom are beyond the age of 75, who will pay 80% IHT on any remaining funds at the time of their death, compared with those who, within the provisions of the clause, will pay only 35% if they die at that time. I would like an assurance that the Bill and the clause will help that small number of people too.

5 pm

Justine Greening: I am grateful to the hon. Member for Dundee East (Stewart Hosie) for his questions, and it is probably wise if I take this opportunity to set out to the Committee the background of clause 6 and address the issues that he raised. I am sure that he will be interested in the consultation document that has been launched today on a number of them.

The Chancellor announced in the Budget that the Government would end the effective requirement to purchase an annuity by age 75 with effect from April 2011. The reason why we want to do that is that it will provide greater flexibility and choice for the individuals affected. In considering the hon. Gentleman's amendments, it is important for the Committee to understand why we are making that change and how we are going about it.

A consultation on the detail of the changes was launched earlier today by my hon. Friend the Financial Secretary, and our intention is to introduce any changes from April 2011. As set out in the consultation document, the Government will be guided by the following principles in implementing the changes: first, that the purpose of tax-relieved pension savings is to provide an income in retirement; secondly, that any changes to the pension tax rules should not incur Exchequer cost or create any opportunities for tax avoidance; thirdly, that individuals should have the flexibility to decide when and how best to turn their pension savings into a retirement income, provided that they have sufficient income to avoid exhausting their savings prematurely and falling back on the state; fourthly, that pension benefits taken during an individual's lifetime should be taxed at income tax rates, with the tax-free pension commencement lump sum continuing to be available; and fifthly, that on death, as the hon. Gentleman mentioned, the pension savings that have been accumulated with tax relief should be taxed at an appropriate rate to recover past relief provided, unless they are used to provide a pension for a dependant. Those principles will ensure that the new rules offer maximum flexibility to pension savers, while avoiding undue complexity or incurring a cost to the Exchequer.

The proposals set out in the consultation document will create additional flexibility for anyone saving into a defined contribution pension. That new flexibility means that individuals will be able to decide for themselves whether and when to purchase an annuity. It will also allow them to leave their pension fund invested in an income draw-down arrangement beyond the age of 75, and to take benefits from their pension fund later than that age if they wish. In addition, individuals who can demonstrate that they have secured a minimum income will be free to draw down unlimited lump sums. The changes will also allow the pensions and annuities industry to consider more innovative products, giving consumers greater choice.

While the new rules are being finalised, it is important that individuals who are about to turn 75, and who have not yet made a decision about what to do with their pension savings, are not disadvantaged in the meantime. The changes set out in schedule 3 are the minimum necessary to enable those reaching 75 on or after Budget day to defer the decision on what to do with their pension savings.

The Bill achieves that by providing for the pension tax rules that previously applied to draw-down arrangements only up to age 75 to continue to apply up to an individual's 77th birthday. That means that the higher inheritance tax charges that apply specifically to pension scheme members aged 75 or over will not apply to individuals who are about to turn 75, and who have not yet made a decision on what to do with their pension. They will not now have to make a decision until they reach 77, and in the meantime we will have worked through the consultation process. Clause 6 and schedule 3 will therefore ensure that they need make no decision until after new rules are finalised next year. To do otherwise would be unfair and confusing, and changing the rules retrospectively would add unnecessary complexity.

Mr Weir: I understand the Economic Secretary's point and I am closely following her argument. Does she accept that many people did not get annuities in the past two or three years because the economic position meant that it was simply not a good time to buy them? Those people are effectively being penalised. Would it not be fair, as I suggested in an earlier intervention, to say that everyone had two years from now, while the consultation goes ahead and changes are being made, to consider their position? Perhaps some people will wish to continue as they are, but at least they would have the option, which is rightly being given to people who are approaching 75.

Justine Greening: I thank the hon. Gentleman for that intervention. I will set out our overall approach to the issue that he raised. In every individual case, there are specifics. I was not aware of the case of the individual whom he mentioned, and I would be happy to give him a more specific answer if he gives me details. However, in principle, he raises a difficult issue. It is doubtless hard for people who reached their 75th birthday before we got to Budget day when we announced the proposed changes. We had pressed the previous Government to take action earlier, but it was left to us, on coming into government, to start to take the steps that we all agree are important. We do not agree with making retrospective legislation, except in the most egregious cases. As he said, the provision affects only a few hundred people.

The inheritance tax charge of 80% would apply to estates over the inheritance tax threshold of £360,000 a year. On the face of it, I cannot give much comfort to the constituent of the hon. Member for Angus (Mr Weir). We are trying to improve the position of those who reached 75 on or after Budget day, but I have set out the basic principles, and the details of the constituent's case may or may not fit them. If the hon. Gentleman provides the exact details, I will give him a more exact answer. I hope that I have provided some background and that we can find a way forward to clarify and resolve the specific issue.

Stewart Hosie: I thank the Economic Secretary for her response. Clearly, the way forward for people reaching 75 is sensible. The two-year deferral until the consultation is complete is right. It recognises the problem and ensures that no one else falls through the cracks between now and the end of the consultation. I am slightly disappointed that no hope was offered that the consultation could allow a slightly retrospective element to those very few people who have become 75 in the past few years, did not take an annuity and are managing their own funds. I will not press the amendment, but I will have another think about it before we reach Report next week, when I may revert to it. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Ms Angela Eagle: I beg to move amendment 61, page 3, line 12, at end add—

'(2) Schedule 3 shall not have effect unless the Chancellor of the Exchequer has laid before the House of Commons a report on the implications of the abolition of compulsory annuitisation of pensions, including—

(a) the revenue implications of abolition; and

(b) a distributional analysis showing who would benefit from abolition.'.

The amendment would mean that the age at which compulsory annuitisation is required could not rise, as the Government announced in the Budget, from the current 75 to 77 until the Chancellor lays before the House a report setting out the implications of abolishing the compulsory annuitisation of pensions savings. That would include the revenue implications and a distributional analysis of who would benefit from the abolition, in the interests of transparency. It is important to explore in more detail the Government's precise thinking and intentions.

Before I do that, I shall comment on the sudden appearance this morning of a written ministerial statement, to which the Economic Secretary referred, on the matter. It appeared without the courtesy of any warning before our debate on the subject.

I spent some time on the Treasury website trying to avoid the increasingly odious comments on the "spending challenge website", which continues to publish offensive and outrageous suggestions for savings, such as sterilising the poor, reopening the workhouses and the forced repatriation of immigrants. It appears to be completely unmoderated by the Treasury, and I hope that the Economic Secretary will convey my strong view that something should be done about that thing on the Treasury website.

What I could not find on the Treasury website, right up to the point when I came into the Chamber for today's debate, was a copy of the consultation document that the written ministerial statement said would be there. I have a copy of the complete list of Treasury consultation documents that was on the website at around 12.30 pm. It featured the bank levy consultation, but not the consultation alluded to in the written statement. I therefore had to go the Library and have it printed so that I had the chance to look at it before I dashed into the Chamber, but the Minister has been waving it about. Will it be the usual behaviour of those on the Treasury Bench to give Members of the House so little time to look at a 53-page document? There was no advance warning, and the document was unavailable on the Treasury website, even though the written ministerial statement said it would be there. The Minister should get her Department to do a lot better than it has done today. That the document was unavailable anywhere other than via a photocopying machine in the Library at the last minute is a discourtesy to the House.

When I had a look at the consultation as I sat on the Front Bench while other debates were going on, the first thing I noticed was that the consultation will be a mere eight weeks long. It starts today and will end on 10 September, which is four weeks shorter than is recommended as good practice in the code on consultation, the second criterion of which states:

"Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible".

The consultation is an eight-week, rushed consultation that includes the entirety of the August holiday, when many of the people who have expertise on this matter will be sunning themselves in very much nicer climes than most of us could probably afford to visit, before they come back to pronounce. That is a very peculiar way to consult on such an important matter.

Robert Flello (Stoke-on-Trent South) (Lab): Does my hon. Friend also find it a little strange that there is such a short consultation period when we are talking about a two-year extension? That seems contradictory.

Ms Eagle: I too wanted to ask the Minister this: what on earth is the rush about? One thing about annuitising and pension rules is that she has a little run-in time to consider—at some length—the implications of her proposals. I do not understand why there was such short notice and why the consultation is so rushed. I am forming an impression that the Government have already decided what they are going to do and that the consultation is a sham. If it is, they ought to have the decency to tell us what they have decided and not to consult at all. I would not have thought that the many experts who will

[Ms Angela Eagle]

be sunning themselves over the August holidays will thank the Government very much for giving them such a short time to respond.

The foreword of the consultation document states:

"The Government wants to foster a new culture of saving in the UK."

We would all agree with that, and that a rebalancing towards saving is necessary. Therefore, it is important to prioritise large numbers of people saving appropriately. I had a look to see what the Government have done so far to encourage saving, particularly in pensions, which is what annuities are all about. Will the Minister explain quite how reducing public and private pensions by changing their definitions from RPI to CPI helps to increase pension saving? Yesterday, the *Daily Mail* and various other experts said that that is a raid on people's pension expectations of more than £100 billion in the private sector, an amount that will accumulate year after year. Can the Minister explain how that encourages pension saving? Will she confirm that the impact assessment in this consultation lets the cat out of the bag when it comes to changing annuitisation rules? We have no particular problem, and certainly no philosophical problem with shifting the age of annuitisation from 75 to 77. Longevity has increased and the last rules—and the age of 75—were set in 1956. Indeed, annuitisation was first made compulsory in the Finance Bill of 1921, which was slightly before my time and I know that it was also before the Minister's time.

5.15 pm

I am reassured by what the Minister says about what might be called red lines in the Treasury's view of the consultation. The first is that annuities should continue in order to provide an income in retirement rather than as a tax-privileged method of saving large amounts of money that can then be taken as a lump sum over and above the 25% that can already be taken tax-free. Others are that there should be no Exchequer costs and no tax-avoidance activities. The latter might be difficult to sustain if the Minister intends to make changes that introduce a minimum income requirement. Interesting attempts have been made to define a minimum income requirement to allow someone to take complete usage—with appropriate tax paid, I hope—of the rest of the money in their pension pot. I know that the Government are consulting on that point, but it is not going to be an easy thing to decide.

I notice also from the impact assessment that although the annuities market last year saw 445,000 people annuitise up to £11 billion of funds so that they could take an income until they required it no longer, the estimate of how many individuals will actually be affected by this change is a mere 8,000.

Bill Esterson (Sefton Central) (Lab): At a time when we need to encourage more people to make pension provision, does my hon. Friend think that these proposals will help? My concern is that having a minimum might reduce the numbers of people providing for their retirement rather than increase them.

Ms Eagle: My hon. Friend raises a reasonable point. Changes in this area have to be made very carefully to avoid the law of unintended consequences, especially when large amounts of tax-privileged income are at stake. The Minister knows that, which is why she said that there would be no increase in tax-avoidance opportunities.

Mr Redwood: Can the hon. Lady remind the House how many private sector final salary pension schemes actually closed as a result of the taxes and regulations introduced by the last Government?

Ms Eagle: We would have to have a long debate about a range of issues to answer that, but I am happy to defend our record. The closure of defined-benefit schemes took place for a range of reasons and the closures began in earnest when I was still at school, so I do not take personal responsibility for that.

When we look at the impact assessment, we see that the changes will affect a tiny minority at the very top—a mere 8,000 people on the Government's estimates, out of 445,000 people who annuitise every year. They will affect only those who can afford to live without touching their pension pot until fully 10 years after retiring. We know that two thirds of people take their annuity upon retirement and that only a much smaller number of people last beyond 70, so the flexibilities that the Government are looking for will be required by only a tiny number of very rich people. The Minister therefore needs to justify why this is a priority and why we need a rushed consultation of only eight weeks over the summer to bring it about.

Mr Redwood: I will be brief, Mr Evans, because I believe that some Members have other things to do later on. I also remind the House that in the Register of Members' Financial Interests I have explained that I offer business advice to a couple of companies.

I would like to briefly praise the Minister and her team for their proposal. For many years, the Conservatives while in opposition urged the then Labour Government to allow people a bit more flexibility and freedom with their money in retirement. Even now, after the election defeat, the party does not get it. This was not the main reason it lost the election, but it was one of many things where it misread the public mood. People want more freedom and flexibility over their own resources and more control over their own lives, but Labour was always trying to stop them. This is a small but important move, and I think we might find that it affects rather more people than the hon. Lady says—

Ms Eagle: It is in the Government document.

Mr Redwood: The hon. Lady is protesting. I know it is in the Government document, but I am suggesting that the Government might be wrong and might have underestimated the number—it is extremely difficult to know how many people might take advantage of the provision. I also think it will not necessarily be only rich people who are affected. I know that Labour never wants any successful people to make money and be able to spend their money sensibly.

Mr Graham Stuart (Beverley and Holderness) (Con): It did a really good job stopping them.

Mr Redwood: Indeed, it tried to stop them on many occasions. If we do too much of that, however, we have a poorer country, a smaller tax base and all the rest of

it. It is a pity that the Labour party still has such a downer on success, prudence and savers, but it might be surprised—hopefully, pleasantly surprised—in due course to find that people on more modest means take advantage of this flexibility as well. We no longer live in a world in which everybody retires at 65 and does no more work. I see around my constituency many people taking on paid work into their late 60s and early 70s, either because they want to or, in some cases, because they have to in order to supplement their resources. Why should we debar them from this flexibility any more than richer people, if they have savings?

Bill Esterson: The right hon. Gentleman mentioned the record of the last Labour Government on pensions, but what about the record of the previous Conservative Government when it came to the mis-selling of pensions? I trust he would accept that that was a serious problem.

The First Deputy Chairman: Order. That is much wider than the amendment.

Mr Redwood: I would love to deal with that point, but I shall take your advice, Mr Evans. The real sin was the tax and regulatory raid on pensions under the last Government, which led to the wholesale closures of final salary schemes, and as a result of which most people starting out in work today have no access to a final salary work-based scheme in the way that their parents' generation did. That is a great tragedy. However, this provision is a small move in the right direction, so I hope that the House will warmly welcome it. Well done to the Minister.

Justine Greening: I thank my right hon. Friend for his kind words. This provision is a step forward. As he said, it might be a small one, but it is an important one that will open up a flexibility that many whom we want to encourage to start saving for a pension will value, which is why it is important that we take the time to make an early start on this matter.

I want to respond to a couple of the shadow Minister's points, including the one about the consultation document not being published in good time. This clause allows us to engage in a consultation. It was not necessary to launch the consultation today, but as it was it was launched at 12.30 pm, and by the time we got to the clause it was 5 o'clock—several hours after the document became available—which has meant that we have had a more informed debate today.

Ms Eagle: I looked at the written ministerial statement at about quarter to 11 this morning, and it said that the document was available on the Treasury website, but it was not there.

Justine Greening: We are getting into the same sort of argument that we had in the previous debate, where if we had put the consultation document up and had not had a sentence on an earlier webpage saying that it was there, we would have been accused of hiding it away. I am afraid that we have to do one before the other, and clearly in this case we decided to put out the statement that the consultation was going up on the website, and then we put it there, which is where it has been since 12.30 pm.

Whatever the bluster from the Opposition Benches, it cannot mask the fact that we are taking a positive step forward on pensions today. We have launched what I think will be a landmark consultation. Clause 6 and schedule 3 will give us the time to get that consultation right over the summer and then bring forward legislation in the forthcoming Finance Bill to ensure that people have more flexibility in dealing with their pensions, because ultimately it is their money, which they have put aside for their retirement. We want them to be able to deal with the pot that they have built up in a way that suits them, rather than in a way that suits the country.

Interestingly, we had a brief discussion about the fact that 75 has been the statutory age for some time. It was first agreed in 1976, which is ironic, given the obviously parallels between Britain then and now, with the Labour Government then having to be bailed out by the International Monetary Fund and going on to leave a desolated economy. We are ensuring that we have sustainable finances in our country over the coming years, so hopefully we will reach a different end point from that of that Labour Government.

I very much welcome the fact that the shadow Minister nevertheless supports the consultation going ahead, and I can assure her that we are going to get on with it. We believe that eight weeks is plenty of time to get a response, given that the issue is one that people have been pressing Governments past—and now present—to address. We are a new Government, so we are getting on with adopting a new and improved approach to annuities and pensions, as we can see from today's debate. I therefore very much hope that the hon. Lady will withdraw her amendment, so that the clause and the consultation can improve the legislation, creating more flexibility in pension law for the people who so badly need it.

Ms Eagle: I am not really that satisfied with the answers that the hon. Lady has given, as she will not be surprised to hear, after that brief reprise of the 1970s. My information is that the Finance Act 1921 introduced compulsory annuitisation and that the current age of 75 was introduced in 1956, which was a Conservative time, not a Labour time.

Regardless of the Minister's point scoring, however, it is important that we take an appropriate amount of time to see how any changes to the annuitisation regime might work in practice. The Opposition have no objection to the idea of having a higher age. However, there is some scepticism about the practicality of having a minimum retirement income and how it might be worked out, although that is part of the consultation, which no doubt we will now all be struggling with over August. It is a shame that the information was not available in a more timely fashion, so that we could have done more preparation for this debate. Because the amendment seeks more information and because the Government seem to be rushing ahead so precipitously, we would like to press the amendment to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 187, Noes 313.

Division No. 28] **[5.29 pm**

AYES

Ainsworth, rh Mr Bob	Ali, Rushanara
Alexander, Heidi	Anderson, Mr David

Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Blenkinsop, Tom
Blomfield, Paul
Blunkett, rh Mr David
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Coaker, Vernon
Coffey, Ann
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr David
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Tony
Curran, Margaret
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Gapes, Mike
Gardiner, Barry
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Hain, rh Mr Peter
Hanson, rh Mr David
Havard, Mr Dai
Healey, rh John
Hepburn, Mr Stephen
Heyes, David
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
Jackson, Glenda
Johnson, Diana R.
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Keen, Alan
Kendall, Liz
Lammy, rh Mr David
Lavery, Ian
Leslie, Chris
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McClymont, Gregg
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Mearns, Ian
Michael, rh Alun
Morden, Jessica
Morris, Grahame M.
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Pearce, Teresa
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, Angus
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Shuker, Gavin
Singh, Mr Marsha
Skinner, Mr Dennis
Smith, rh Mr Andrew
Smith, Angela *(Penistone and Stocksbridge)*
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Woolas, Mr Phil
Wright, David

Tellers for the Ayes:
Mary Creagh and Kerry McCarthy

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Mr Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Francois, rh Mr Mark

Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hunt, rh Mr Jeremy
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Latham, Pauline
Lee, Jessica
Lee, Dr Phillip
Leech, Mr John
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mitchell, rh Mr Andrew
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Parish, Neil
Patel, Priti
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Russell, Bob
Rutley, David
Sandys, Laura
Scott, Mr Lee
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Mr Mark
Williams, Roger
Williams, Stephen
Williamson, Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George

Tellers for the Noes:
Mr Robert Goodwill and Miss Chloe Smith

Question accordingly negatived.
Clause 6 ordered to stand part of the Bill.
Schedule 3 agreed to.

Clause 7

EXPENSES PAID TO MPS ETC

Question proposed, That the clause stand part of the Bill.

Stephen Timms (East Ham) (Lab): Schedule 4 provides for the exemption from income tax of expenses paid or reimbursed to MPs, following the introduction under the Parliamentary Standards Act 2009 of the popular new scheme for paying the expenses of MPs administered by the Independent Parliamentary Standards Authority. I understand that that will broadly have the effect of maintaining—*[Interruption.]*

The First Deputy Chairman: Order. Far too many conversations are taking place in the Chamber. Will those who are leaving please do so quietly?

Stephen Timms: I appreciate that the arrangements will broadly have the effect of maintaining the tax treatment that applied to similar expenses paid under the previous arrangements. Tax treatment of MPs' expenses used to be dealt with by specific legislation or long-standing extra-statutory concessions. As hon. Members will know, a long-term project has been undertaken following the judgment in the Wilkinson case of 2006 to place all the statutory concessions on a proper legislative basis. Can

[Stephen Timms]

the Minister confirm that the previous concession, which I think is numbered A.54—Members of Parliament: accommodation, allowances and expenses—has, with this legislation, been withdrawn, and whether any of the other extra-statutory concessions outstanding are affected by the Bill?

Robert Flello: My right hon. Friend said that schedule 4 was broadly neutral in terms of income tax. Has he noted paragraph 1(4) on loans for deposits payable on rented accommodation—perhaps our constituency offices or flats that we need in London because of the ridiculous IPSA rules on staying in hotels? It is common practice for landlords to charge a deposit on flats, something that we have to pay only because we are here representing our constituents. Has my right hon. Friend noticed that there is a tax implication for us in that?

Stephen Timms: I confess that when I read the legislation that point did not strike me, but it has been raised and I am grateful to my hon. Friend for putting it on the record.

Stephen Williams (Bristol West) (LD): To be helpful, a loan is not subject to income tax whereas if the loan was interest free the difference between the interest rate that someone might be charged and what they are not charged would be.

Stephen Timms: I know that the hon. Gentleman is a chartered tax specialist, as was acknowledged at a reception last night, so I defer to his understanding of these matters.

The Bill is different from the IPSA scheme on a couple of points. The IPSA rules say that when Members are required to be at the House of Commons after 11 pm, non-London areas MPs who claim the London area living payment may claim for the cost of an overnight stay in a hotel, subject to an upper limit. Any MP, including London MPs like me and the Minister, may claim for the cost of an overnight stay in a hotel if it would not be reasonable to return to any residence, where they are required to be at the House of Commons because the House is sitting beyond 1 am. I do not understand the different tax treatment of those two situations. Under new section 292, liability for income tax is avoided only if the House sits beyond 1 am. That is fine for London MPs like me. If I made a claim for a hotel stay under the IPSA rules, the new section would exempt me from income tax on that payment. However, it seems a bit unfair to non-London MPs, in that the IPSA scheme allows them to claim for the cost of an overnight stay if the House sits after 11 pm, but the new section gives them an income tax liability on that claim unless the House sits after 1 am. I wonder why the rules have been drawn up in that way.

A second area where I am puzzled relates to travel expenses for children. I have no children, so I hasten to say that this has nothing to do with my personal arrangements. The IPSA scheme provides for travel and subsistence expenses in respect of travel for dependent children aged under 16, limited to 30 single journeys per child between the Member's London area residence and the constituency residence in each year. The new section would exempt from income tax the cost of journeys by spouses or partners but not—as far as I can see—the cost of journeys by children. Why is tax payable on those expenses but not on the others?

Justine Greening: I shall briefly talk about what we seek to achieve with clause 7 and schedule 4, and then try to answer the specific issues raised by the right hon. Gentleman.

Clause 7 introduces schedule 4, which provides for the income tax treatment of certain expenses paid or reimbursed to Members of Parliament under the new MP expenses scheme introduced and administered by the Independent Parliamentary Standards Authority. For the main part, the changes introduced by the provisions are necessary to reflect the fact that expenses are no longer paid under a resolution of the House but instead are paid by IPSA under the authority of the Parliamentary Standards Act 2009.

As we are all aware, expenses paid to Members have come under close scrutiny over the past year, not just by the media and the public, but also by IPSA. In developing its new scheme, IPSA has taken account of the requirement of MPs to perform their duties both in their constituencies and in Westminster. It has decided that the expenses covered by the exemptions introduced by the schedule are necessary for the performance of an MP's parliamentary functions.

The key provisions will broadly maintain the long-standing statutory exemptions for overnight accommodation and EU travel expenses that were introduced in recognition of the particular role of MPs. The provisions will codify elements of concessionary tax treatments that, because MPs are required to carry out their duties both in their constituencies and in the House, have applied for many years to certain UK travel expenses paid to MPs. Additionally, they will reflect IPSA's decision to continue to reimburse some UK travel for MPs' spouses and partners, albeit in more restricted circumstances. The schedule therefore puts the previous concessionary treatment on a statutory footing to allow those payments to continue to be made without tax being due. Finally, the provisions reflect IPSA's decision to deal with payments for evening meals separately from general expenditure connected to overnight accommodation, and the schedule now introduces a specific exemption for the costs of meals reimbursed under IPSA's scheme. Again, that maintains the previous tax treatment.

The right hon. Gentleman raised two issues—about late-night sittings and accommodation. He is right: there is indeed a difference. The IPSA and tax treatment is different for sittings that end after 1 am and for sittings that end between 11 pm and 1 am. For sittings that run after 11 o'clock, there is tax exemption for expenses incurred for overnight accommodation, because that is deemed by IPSA a necessary expense incurred in the MP role.

Non-London MPs who decide to take the London allowance—the London expense regime—are able to charge overnight accommodation if the House sits after 11 pm, as the right hon. Gentleman pointed out. However, that charge is not tax-exempt; it is deemed subject to normal tax treatment for any employee. A normal employee would not be able to claim a tax exemption if they chose to stay in a hotel because they had been working late.

The rules for the House sitting past 1 o'clock are agreed with IPSA as necessary for the fulfilment of the MP role, so are tax-exempt. Before that, although MPs from outside the London area can get reimbursement for overnight costs, they are not tax-exempt. I hope that I have clarified the situation, even though some people might not agree that the tax treatment set out in the clause and schedule 4 is fair.

Children's travel was not tax exempt under the previous scheme, and clause 7 and schedule 4 merely maintain the same tax treatment of children. However, the right hon. Gentleman was right to point out that the tax exemption for spouses will continue, albeit with some more restrictive conditions. Again, I hope that I have clarified the position.

As IPSA continues to develop its expenses regime over the coming months and perhaps years, we will obviously have to keep an eye on any changes and ensure that we determine whether we need to reflect them in tax law.

Question put and agreed to.

Clause 7 accordingly ordered to stand part of the Bill.

Schedule 4 agreed to.

Clause 8

AMOUNTS NOT FULLY RECOGNISED FOR ACCOUNTING PURPOSES

Question proposed, That the clause stand part of the Bill.

Stephen Timms: Clause 8 and schedule 5 amend the corporation tax rules on loan relationships and derivative contracts that apply to amounts not fully recognised for accounting purposes. This is a good example of the way in which the obligations that the previous Government introduced in 2004 on the disclosure of tax avoidance schemes are bearing fruit by revealing forms of avoidance that represent loopholes that need to be closed, which is what the clause does. The intention behind the clause was announced by the previous Government at the time of the March Budget. The provision is tightly targeted. I am not aware of any adverse reaction, and I certainly support the clause, but will the Exchequer Secretary give us his assessment of how much tax avoidance will be prevented by blocking the loophole?

I was pleased that the coalition agreement included the commitment:

"We will make every effort to tackle tax avoidance".

Clauses 8 and 9 are the first concrete signs of that commitment being delivered. However, will the Exchequer Secretary tell us a little more about how those efforts will be pursued and what is meant in the coalition agreement by the commitment to

"detailed development of Liberal Democrat proposals"?

If I understand correctly, Liberal Democrat proposals in this area include: changing the taxation of benefits in kind; increasing the proportion of HMRC time spent on income tax evasion; a new general anti-avoidance provision for corporation tax, with companies paying a commercial rate for HMRC pre-clearance—I imagine that that is being subsumed in the wider discussion about a general anti-avoidance rule; and legislating to establish the beneficial ownership of property that is sold to prevent the avoidance of stamp duty land tax. Will the Exchequer Secretary confirm what the coalition agreement meant? Are all those initiatives—

The First Deputy Chairman: Order. I think that the right hon. Gentleman is going much wider than the provision before us. Will he confine his remarks to what is contained in clause 8?

Stephen Timms: Of course I will, Mr Evans.

I accept that there will always be areas in which there is legitimate uncertainty among business and their representatives about how the law applies. However, I am pleased that clause 8 and schedule 5 are being brought forward to block one more unwanted loophole.

6 pm

Mr Gauke: I thank the shadow Minister for his words of support. It would be somewhat surprising if he did not support the measure, as I am sure that he would have introduced it had he been in our position.

Clause 8 relates to corporation tax avoidance involving de-recognition. The corporation tax rules on financial instruments broadly follow the treatment of profits and losses recognised in accounts drawn up under generally accepted accounting practice. That applies to most financial instruments, including loans and derivatives. However, in certain cases where the terms of an asset and a liability are closely related, accounting practice may mean that neither the income nor the expenses arising on them are included in the accounts. For example, a company may have issued preference shares on which the dividends payable equal the interest received. As the company is economically flat in such cases, accounting practice allows it to de-recognise both the income and expenses. However, for tax purposes, that gives rise to a mismatch. The income is taxable, while the dividends are not deductible.

Unfortunately, avoidance schemes have continually sought to exploit the practice of de-recognising income. In 2006, legislation was introduced to block such avoidance by overriding the de-recognition for tax purposes. It required that where certain conditions are met, taxable profits are to be computed as if there had been no de-recognition in the accounts. It was necessary to amend the original legislation in 2007 and 2009 to block new schemes. Previous action has protected something like between £100 million and £150 million. To answer the shadow Minister's question, it is anticipated that the measures in the Bill will protect £150 million per annum.

It is worth making the point that in addition to blocking the latest schemes, the Government intend to remove the opportunity for new abuse. We will amend the anti-avoidance rule in question so that it works in a more wide-ranging manner. Such a rule will make it unnecessary repeatedly to block similar versions of what is essentially the same scheme, and will allow us to address the matter more completely. HMRC will issue a technical note on the subject shortly, with a view to us making the amendments in the Finance Bill 2011. Any such changes would be effective from a date to be announced in the autumn, following consultation on the details of the proposals.

[Mr Gauke]

I note your earlier guidance, Mr Evans, and I will not go into detail on the points that the shadow Minister made, but we continue to look at the issue, and the Government take anti-avoidance measures very seriously.

Question put and agreed to.

Clause 8 accordingly ordered to stand part of the Bill.

Schedule 5 agreed to.

Clauses 9 to 11 ordered to stand part of the Bill.

The Deputy Speaker resumed the Chair.

Bill reported, without amendment.

Bill to be read the Third time tomorrow.

Business without Debate

ADJOURNMENT (SUMMER)

Motion made, and Question put forthwith (Standing Order No. 25)

That this House, at its rising on Tuesday 27 July 2010, do adjourn till Monday 6 September 2010.—(*Mr Newmark.*)

Question agreed to.

ADJOURNMENT (CONFERENCE RECESS)

Motion made, and Question put forthwith (Standing Order No. 25)

That this House, at its rising on Thursday 16 September 2010, do adjourn till Monday 11 October 2010.—(*Mr Newmark.*)

Question agreed to.

BUSINESS OF THE HOUSE (ACADEMIES BILL *[LORDS]*)

Ordered,

That, in respect of the Academies Bill [*Lords*], notices of Amendments, new Clauses and new Schedules to be moved in Committee may be accepted by the Clerks at the Table before the Bill has been read a second time.—(*Mr Newmark.*)

BUSINESS OF THE HOUSE (20 JULY)

Ordered,

That, at the sitting on Tuesday 20 July, notwithstanding Standing Order No. 14 (Arrangement of public business), the backbench business determined by the Backbench Business Committee may be entered upon at any hour, may then be proceeded with, though opposed, for three hours, and shall then lapse if not previously disposed of; and Standing Order No. 41A (Deferred divisions) shall not apply.—(*Mr Newmark.*)

SITTINGS OF THE HOUSE (27 JULY)

Motion made,

That, on Tuesday 27 July,

(1) the House shall meet at 10.30 am;

(2) references to specific times in the Standing Orders of this House shall apply as if that day were a Thursday;

(3) the sitting in Westminster Hall shall begin at 12.30 pm and continue until 5.00pm; and

(4) the Speaker shall not adjourn the House until any message from the Lords has been received, any Committee to draw up Reasons which has been appointed at that sitting has reported, and he has notified the Royal Assent to Acts agreed upon by both Houses.—(*Mr Newmark*)

Hon. Members: Object.

DELEGATED LEGISLATION

Motion made,

That the Motion in the name of Sir George Young relating to the Electoral Commission shall be treated as if it related to an instrument subject to the provisions of Standing Order No. 118 (Delegated Legislation Committees) in respect of which notice of a motion has been given that the instrument be approved.—(*Mr Newmark.*)

Hon. Members: Object.

BUSINESS OF THE HOUSE (FINANCE BILL)

Resolved,

That, notwithstanding the practice of the House as to the intervals between stages of Bills brought in upon Ways and Means Resolutions, more than one stage of the Finance Bill may be taken at any sitting of the House.—(*Mr Newmark.*)

Decent Homes (Hillingdon)

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Newmark.)*

6.5 pm

John McDonnell (Hayes and Harlington) (Lab): In this Chamber we debate the main issues facing our country and the world, and we pass laws that affect the lives of millions, but as Members we also retain the centuries-old right and tradition, stemming from the earliest days of Parliament, to be able to raise the grievance of an individual constituent when all other routes appear to have been exhausted and the constituent considers that justice has not been done. Often the airing of an individual case can throw light on a more general malaise that needs to be addressed, so in that tradition I wish to raise today the case of one of my constituents, Mr Bernard Fagan, and the performance of Hillingdon council, its arm's length housing management company, Hillingdon Homes, and its contractors and sub-contractors in the delivery of the previous Government's decent homes programme.

The decent homes programme was a well intentioned attempt to bring all council accommodation up to a decent standard and modernise the housing stock by installing new kitchens, toilets, bathrooms, doors and windows and making other basic improvements. The programme was a welcome and desperately needed fillip for council tenants after years of neglect and lack of investment by past Governments. The overall cost of the programme was originally estimated to be £20 billion.

Unfortunately, because of a lack of confidence in local councils to deliver a programme of that scale successfully, the previous Government attached a number of conditions to the investment programme. If a local council wanted to receive a share of the capital investment, it was required either to transfer its stock to a housing association or other landlord, or to establish an arm's length management organisation, or ALMO, and transfer its housing stock to that new body. The ALMO would undertake the day-to-day management of tenants' homes and the area's decent homes programme.

The local council and its tenants had to agree to the stock being transferred to the ALMO, and refusal to transfer would result, in effect, in their losing access to the decent homes investment programme for their area. In my constituency, despite many anxieties, uncertainties and worries, tenants were forced over a barrel to agree to the transfer; otherwise they would have largely had to forgo the opportunity to receive new kitchens, bathrooms and other improvements to their homes.

Despite some limited acknowledgement of the need for greater tenant involvement in the management of their homes, the setting up of the ALMO largely resulted in a transfer of staff from the council's existing housing department, the production of a new logo, a wage increase for the senior officers of the new body and, I have to say, little else to distinguish the operation of the ALMO from that of the council's housing department.

In my constituency, the new ALMO, Hillingdon Homes, was allocated about £60 million to undertake the local decent homes programme, and selected one of my local tower block estates, on Avondale drive in Hayes, for inclusion in the programme. I have worked closely with local residents and tenants associations in my town—in fact, I have set up many of them—and on the Avondale estate the residents association is chaired by my constituent, Mr Bernard Fagan. When the local decent homes programme commenced in 2005, I kept in close touch with local residents, through the association, to monitor its implementation.

I intervened at an early stage in 2005 because tenants contacted me and the local councillor Lynne Allen. They were fearful that the asbestos removal from individual apartments was taking place without the families being decanted from the properties by Hillingdon Homes, and there were concerns that there were not the appropriate protections for the tenants and indeed the workers involved in removing the asbestos. As a result of those concerns, the local councillor and I met the tenants, visited the estate and contacted Hillingdon Homes and the council, and gained assurances that proper procedures were being, and would be, followed.

Later, in December 2005, Mr Fagan contacted me again to seek an urgent meeting to discuss the problems he was experiencing with regard to the renovation of his apartment, under the Hillingdon Homes decent homes programme. When we met in early January 2006, Mr Fagan took me through the catalogue of errors, poor workmanship, delays and failures of performance that he had experienced at the hands of the contractors and subcontractors whom Hillingdon Homes had employed to install a new kitchen and bathroom in his flat. At that early meeting, he pointed out 19 specific examples of poor workmanship that he had identified.

I shall quote from Mr Fagan's first detailed letter to me, in January 2005, that described his experience of the Hillingdon Homes decent homes programme:

"On 11th May, Bogdan Building Services, under the supervision of Apollo London Ltd"—

the contractors and subcontractors appointed by Hillingdon Homes to undertake the decent homes programme on his estate—

"carried out the gutting out phase of my flat refurbishment. They removed a perfectly functional hood extractor fan and its outlet, in spite of a signed and endorsed drawing clearly stating that this appliance should be refitted. I believe that this was done because the operatives involved had difficulties with interpreting the drawings and with written and oral instructions in the English language…On 12th May, an operative posing as a plumber began working in my home. He installed a toilet 10 mm above the floor, falling short of entering its outlet square and risking leakage…On 13th May, electricians began work on my kitchen and I was left without power in this room for 30 days…On 16th and 17th May, an inept operative masquerading as a carpenter began work on my flat. The standard he achieved over these two days was appallingly bad and he had to be removed from my flat."

I should say at this point that Mr Fagan is a time-served retired carpenter; after years of extensive experience as a professional craftsman, he knows a professional job when he sees one. On one occasion, he felt so sorry for one of the Bogdan operatives that he had to show him how a particular tool operated so that the work could be completed.

I return to Mr Fagan's diary of events:

"On 19th May, my new kitchen was fitted. The worktop that the kitchen fitter attached to the base units was butchered with a jig saw, short of the required length, with copious amounts of sealant used to disguise the mistake…On 26th May, a tiler achieved a standard close to acceptable in my kitchen, but the standard in my bathroom falls short of what one might reasonably expect."

[John McDonnell]

Overall, the work took nine weeks, more than twice the time mentioned in the information pack sent to tenants in preparation for the work by Hillingdon Homes. During this period, on 15 May there was a fire in Mr Fagan's flat that had resulted from the cooking appliance that he had been supplied as a temporary replacement for his cooker while the work was carried out. The cooking appliance supplied was not the appliance promised by Hillingdon Homes, but a cheaper version. Mr Fagan suffered burns and some of his furniture was damaged. Eventually, he received some form of compensation.

From May until November of that year, Mr Fagan was in regular contact with Hillingdon Homes, seeking remedial action to tackle a litany of problems in his flat resulting from the poor workmanship. He was met by what he described to me as bureaucratic obfuscation, delays, procrastination, incompetence and mismanagement—those are just the repeatable expressions that Mr Fagan has for his treatment at the hands of Hillingdon Homes.

It took me several letters over a period of months to get any practical response from Hillingdon Homes. When the ALMO responded with offers to undertake remedial work, Mr Fagan had had enough and refused to allow the same unskilled and untrained operatives back into his home. He insisted on proper repairs to address the mistakes made and tried to insist on at least some direct labour operatives to do the work that was needed. Eventually, some remedial work was undertaken, but long delayed and after a lengthy struggle with Hillingdon Homes, and on two occasions with action only agreed on the steps of the court as Mr Fagan resorted to legal action.

As I said, Mr Fagan is an active member of Avondale residents association, and currently its chair, so he was concerned to discover whether other tenants had experienced similar problems. I therefore wrote to Hillingdon Homes to ask whether any other tenants had expressed concerns about the work undertaken in their apartments. I was informed by the surveying manager of Hillingdon Homes—I have never met a surveying manager before, but we now have one—that the contractor, Apollo, had undertaken a survey that recorded a 92% satisfaction rate among all tenants who had responded to the company's survey from the 101 properties completed in the programme to date. However, it reported only a 42% satisfaction rate from the Avondale estate, with 38% dissatisfied.

At meetings with Hillingdon Homes and tenants, I urged the ALMO to undertake an independent survey. It refused, and instead sent round one of its own project team to visit the tenants—one of the very people who had been complained about. In the absence of an independent survey, I held a meeting with the tenants and conducted a written survey of my own, which reported overwhelming dissatisfaction with the improvement programme.

Let me outline the basic issues of concern with regard to our experience of the decent homes programme in Hillingdon. The first major concern is the poor quality of the work undertaken, as evidenced by the experience of Mr Fagan and his neighbours. Work on the programme was contracted to Apollo London Ltd, which in turn subcontracted much of the work to Bogdan Ltd. In one of its publications, Hillingdon Homes explains that Bogdan Ltd was set up by a Mr Bogdan Hrab, a carpenter who had worked on school projects for Apollo in Hillingdon. He recruited what is described as

"a core of Romanian tradesmen",

chosen for their

"skills and competency, which he personally monitors."

Hillingdon Homes argues that the appointment of this company was

"not price-driven but on a tried and tested basis."

The ALMO also implied in one of its publications that the demand for labour for major projects in my area, such as terminal 5 at Heathrow, meant that there was a shortage of skilled workers, and Bogdan and its Romanian work force met this need.

The poor workmanship of the operatives working on the Avondale estate led Mr Fagan to question whether these Bogdan employees were indeed the qualified tradesmen they purported to be. Although Hillingdon Homes sought to assure me that Apollo vetted its sub-contractors, to date no satisfactory evidence has been produced by Hillingdon Homes or Bogdan Ltd to confirm the qualifications of the Bogdan staff. In fact, Hillingdon Homes has now denied that it is its responsibility to ensure that the workers are qualified, and Apollo has refused to release details of the tradesmen's individual qualifications.

Because at that time Romania had not acceded to the European Union, the visa requirements for entry into the UK for employment meant that workers recruited would have to demonstrate their qualifications. In February 2007, I wrote to the Home Secretary to clarify the visa arrangements and to seek an inquiry into the practices of Apollo and Bogdan Ltd. My letter was passed to the Department for Business, Innovation and Skills. The response I received from the Minister of State confirmed the following:

"Although Romania joined the EU on 1st January 2007, its nationals still need permission to take employment here. Authorisation would only be given if they met the skills and other criteria of the work permit scheme and applications require suitable evidence that the worker is suitably qualified. I understand that a work permit application has not been received from Bogdan Building Services. If a company employs a Romanian national without the appropriate authorisation, they and the worker may be committing a criminal offence."

Different rules apply for workers who are self-employed, but it is difficult to see how the operatives employed by Bogdan or Apollo could in any way be classified as self-employed. The Minister advised me that the letter had been referred to the immigration service's enforcement unit to consider what action was to be taken. That was 2007, and I have heard nothing since.

Interestingly, when it was asked whether there was a shortage in my area of the skilled contractors needed for such a contract, the Department for Work and Pensions confirmed that on the contrary, there were local building workers with the requisite skills looking for work in the area.

Questions were asked about the cost and value for money of the refurbishment work undertaken. The initial estimate of the unit cost for the refurbishment of the kitchens and bathrooms was put at £10,000 by Hillingdon Homes. Mr Fagan and his fellow tenants

challenged that figure and undertook a costing of the work themselves, collecting samples of materials and sample costs for the workers' time. They came out with a calculation significantly less than the official Hillingdon Homes estimates. At a later date, Hillingdon Homes reduced its costing from the original £10,000 to £7,900 per unit, but even at that level the tenants have questioned the rate of profit obtained by the contractor and the value for money achieved by the ALMO itself.

It is worth noting at this stage that Apollo was one of the companies that the Office of Fair Trading found to be guilty of price fixing in their dealings on local council contracts. It was forced to repay more than £2 million by way of fines only 18 months ago, one of the highest amounts of any company involved in the scam. Also, the Information Commissioner discovered that it had been involved in the blacklisting of trade union members, which may relate to the low rates of pay given to some of the operatives on the site in question.

Questions have also been asked about the insurance arrangements on the Hillingdon Homes programme after individual claims were pursued against Apollo, with one insurance assessor suspiciously withdrawing from claim negotiations and different dates being attached to the same insurance documents.

Throughout the implementation of the decent homes programme, Mr Fagan and other tenants have expressed strong concerns about the lack of accountability and responsiveness of Hillingdon Homes. Tenants have cited examples of the failure to undertake adequate and timely inspections of work, the reliance on the word of the contractor rather than listening to the tenants themselves, the delays in responding to tenants' concerns, complaints often being ignored, the patronising manner in which the tenants have been treated and the fact that they have been provided with inaccurate and obscure information. All that has increased the level of frustration, because, to quote Mr Fagan again:

"Had this programme been implemented properly it would have been socially beneficial but unfortunately its management and execution have not lived up to its noble aspirations."

With regard to the Romanian workers themselves, Mr Fagan wanted me to make it explicitly clear to the House that he is himself an Irish person who came here to seek work, so this is not an attack on the workers themselves but an attack on the company that may have brought them here without the appropriate skills and qualifications and put them in an impossible position to respond to the needs and demands of the contract. He believes that they may well have been exploited in the process.

Over the past three years I have raised my concerns about the decent homes programme in Hillingdon in direct correspondence with Secretaries of State and Ministers in the Department for Communities and Local Government. Apart from parliamentary questions, my last speech on the matter in this Chamber was in November 2007. I said then that there was a need for an investigation of the council's performance on this matter, and that we knew of a number of examples of poor workmanship. I said that I knew of cases in which tenants had been injured as a result of the work, even following the resources that had been ploughed into the programme.

I feel that I have done my duty in raising this matter, but there has been a lack of response from Hillingdon Homes, the council and, I have to say, Ministers themselves. Despite getting local remedies to individual problems for tenants, I remain deeply concerned by how the programme was implemented in my area. I repeat my call for an independent investigation into the way in which Hillingdon Homes and the council undertook it.

The Hillingdon ALMO is to be scrapped and housing management taken back into the council in the autumn. I welcome that, but it should not be used to cover up the problems caused by the mismanagement of the decent homes programme. There needs to be a thorough and detailed independent investigation of Hillingdon Homes, and the abolition of the ALMO should not be used as an excuse for not holding that investigation.

My local experience naturally led me to wonder whether it had been replicated elsewhere. I know that the decent homes programme nationally has been criticised for overspends and delays, with more than 300,000 properties still not refurbished. I am aware of the National Audit Office January report, which states that it will be another eight years before the work is undertaken. There are criticisms in the report of the absence of monitoring and weaknesses in the information systems,

"which has reduced the Department's assurance that value for money was being achieved and this in itself constitutes a risk to value for money, because the Department cannot establish definitively whether the Programme has delivered the required improvements at a cost that was considered reasonable."

There is a need for a further review of the programme. I want the work to be completed to improve people's homes, but at a time of limited resources, it behoves us to ensure that whatever resources are available are wisely spent and meet the needs of the tenants. That is why I feel that in my constituency there is a continuing need to review the decent homes programme and its implementation, and to ensure that the situation I have described is never repeated.

6.26 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): I congratulate the hon. Member for Hayes and Harlington (John McDonnell) on introducing the debate and bringing the subject to the House. He has a long record of diligent and assiduous research and work on behalf of his constituents, and today's debate is a good example of that.

I agree that it is important that we get efficient and effective housing services, that we do not waste public money and that the people we serve actually get a service and are not treated merely as targets to fulfil. As well as ensuring that the workmanship is right, we must have the right standards of integrity, prudence and legality. The hon. Gentleman has raised some serious concerns about whether that is the case for Hillingdon Homes. He has also made a stout defence of his constituent, Mr Fagan, and the residents on the Avondale estate.

The hon. Gentleman painted a nightmare picture, which clearly needs to be considered carefully. He has outlined some concerns, which I will tackle shortly. First, let me provide some context. In Hillingdon, the council and its tenants chose to set up an ALMO. I understand his point that perhaps they had a financial pistol pointed at their heads by the previous Government through the suggestion that an ALMO was the way of accessing extra funding to invest in their homes. Indeed,

[Andrew Stunell]

Hillingdon Homes invested £59 million between 2003 and 2008 and reduced the number of non-decent homes from more than 3,000 to just 23. I understand that statistics show that current non-decency is limited to only 48 homes out of the borough's stock. I hope that the hon. Gentleman agrees that that is a good record.

As the hon. Gentleman also reported, earlier this year, after a tenant consultation, Hillingdon council decided to take management of the homes back from the ALMO and to disband it, which is due to happen at the end of the year. The council claims that it will save £300,000 a year, which will be reinvested in services to tenants. Perhaps, therefore, the story will have a happy ending.

Let me deal with the hon. Gentleman's points and questions. He made some important points about the poor workmanship, but I am sure that he accepts that that matter should be pursued elsewhere. I am sure that he will be diligent in doing that. He has brought to the House's attention what he perceives to be irregularities about visa applications, or possibly the failure to make visa applications when they should have been made. He reminded us that the then Secretary of State was contacted and that a letter was referred to the immigration enforcement unit. Of course, that is not my ministerial responsibility, but I will ensure that his words are drawn to the attention of officials and the Department concerned.

The hon. Gentleman raised concerns about the cost and value for money of the installation. He said that the initial price quoted was £10,000 that not until tenants started to get stroppy did a new figure of £7,900 emerge, and that even now, there is a belief that that figure may be seriously over the top. He also drew attention to the record in the courts of Apollo London Ltd on price fixing. Those matters should concern the House. We need to be satisfied that public money has been properly spent and that a good service has been given.

The hon. Gentleman also reported that he debated the matter in the House back in 2007, when he asked my predecessors to carry out an investigation. I am sure he will understand that it is more his job than mine to defend the record of the outgoing Administration, and I am not going to take a rap for their performance, but I would welcome the opportunity to meet him with my officials to discuss some of his concerns. He feels that his constituents have been let down by Hillingdon Homes, the council and Ministers, but I should make it clear that up to now, I have not let him down, and I will see what we can do in future.

The hon. Gentleman asked a broader question about whether the problem he described is universal and whether it applies in many other areas. That is not our experience in the borough of Stockport, which also has an ALMO. He is right to ask that question and to draw attention to the NAO report on the problems.

I conclude by saying to the hon. Gentleman and the House that the Department and this Government are very strongly committed to ensuring that we get value for money. We all know that resources will be even tighter in future, and that it is estimated that £3.2 billion will have to be spent to get the remaining housing stock to a decent homes standard. There are many other calls on Government money, so we support anything that will weed out inefficiency or anything worse than inefficiency, which is what he hinted at. I look forward to the opportunity of discussing with him how we achieve that in Hillingdon. If there are broader lessons to learn, I am sure that my Department and the Housing Minister will be very willing to do so.

There seems to a rule that we speak right up to the bell, but I think I have covered the main points and I hope that that is satisfactory to the hon. Gentleman. I look forward to taking the matter forward in due course.

Question put and agreed to.

6.33 pm

House adjourned.

Westminster Hall

Tuesday 6 July 2010

[MR CHRISTOPHER CHOPE *in the Chair*]

Terrorism (Northern Ireland)

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Philip Dunne.)*

9.30 am

Dr William McCrea (South Antrim) (DUP): It is a pleasure to serve under your chairmanship today, Mr Chope, but I must confess that this is the most difficult debate I have ever taken part in because I feel that I must turn the spotlight on the innocent victims of terrorism and their broken-hearted families.

A few days ago, the Prime Minister of this United Kingdom made his way to the Dispatch Box in the House of Commons and gave an apology to families in Londonderry, which was watched by millions around the world. After his speech, many could hear the shouts and cheers from those in Guildhall square, Londonderry, and the media spent countless hours of airtime propagating one single event in the history of our Province, just as if nobody else had endured any injustice over the years of Ulster's turmoil and trouble.

Outside Londonderry, many other families who have suffered because of countless IRA atrocities simply sat in silence, many wiping away their tears, and feeling dejected and spurned by their own Government. I do not doubt the sincerity of the Prime Minister in his speech, nor do I doubt the significance that it held for those families in Londonderry. However, what about the thousands of other innocent families, who grieve daily for their sons and daughters, fathers and mothers, brothers and sisters, because of years of Provisional IRA terror?

No apology was ever given to the law-abiding Unionist majority, when successive Governments tied the hands of our security forces and allowed the IRA terror campaign to continue for well over 30 years. The IRA claimed that it was at war with Britain, but unfortunately only one side was fighting to win. Our gallant soldiers were—and are—the best in the world, but they were not allowed to fight. They could have crushed the terrorists, but political expedience would not allow them to do so.

I am not entering into a debate on the Saville report, as that will come in its own time. However, I fear that successive Governments, through this £192 million inquiry and the high-wire spectacular response from the Prime Minister in front of the world's media, have left the feeling that there is a hierarchy of victims from our troubled past, and that brings only further division and misunderstanding.

Over the years, I have wept and comforted many families of innocent victims, and although I carry no open wounds on my body from the IRA campaign—although that was not the intention—there are many deep wounds in my heart that no man, but only God, can heal. I honestly confess that I hate what the Provisional IRA has done to our beautiful Province and its people through its acts of barbarity and murder. However, if we allow hatred and bitterness to take over our lives, we destroy ourselves and allow the enemy to succeed.

In 1969, the Provisional IRA was formed with the aim of removing the British from Northern Ireland and bringing about the unification of Ireland by force. It was doomed to fail, not because the Government stood up for the rights of our people, but because 1 million ordinary British people in Northern Ireland determined to remain part of the United Kingdom and exercised their democratic right accordingly. Even though the terrorists tried to bomb us into submission, murdered hundreds of police officers and soldiers, slaughtered innocent civilians across the Province and tried to wipe out Protestant families along the border, they were never able to break our determination. I have often said that they may have broken our hearts—and they did—but they shall never break our will.

It must also be remembered that Ministers from the Fianna Fail governing party in the Irish Republic diverted funds intended as emergency aid, to illegally import weapons directly for the Provisional IRA. One of those Ministers, Charles Haughey, was later rewarded by being made Prime Minister of the Irish Republic for three terms between 1979 and 1992. Surely it is time for an unreserved and unequivocal apology from the Prime Minister of the Irish Republic for the actions of a former Government who helped to spawn and support the IRA, thereby consigning Unionists in Northern Ireland to over 30 years of bloody Sundays, Mondays, Tuesdays, Wednesdays, Thursdays, Fridays and Saturdays. Alas, that has not been forthcoming, and we shall have to wait, although for how long, I have no idea.

I wish to pay tribute to the bravery of our soldiers who patrolled the highways of Ulster for many years, many of whom paid the supreme sacrifice. Standing alongside them, we were blessed by having many courageous local volunteers who joined the B Specials, the Ulster Defence Regiment and the Royal Irish Regiment, and who gallantly provided protection for all our community from a vicious foe.

I also salute the bravery of the Royal Ulster Constabulary George Cross Foundation, and the Royal Ulster Constabulary reserves for their years of faithful duty, not forgetting the Police Service of Northern Ireland. All those forces have been vilified at some time or other by the republican propaganda machine, but those of us who have lived throughout the troubles know how the B Specials, the UDR, the RUC GC and the RUCR GC were politically sacrificed to appease republican agitation.

Let me come to the heart of the debate. According to research carried out by the university of Ulster, the Provisional IRA was responsible for the deaths of 1,706 people during the troubles up to 2001. Of those, 497 were civilian casualties, 183 were members of the Ulster Defence Regiment, 455 came from other regiments of the British Army, and 271 were members of the Royal Ulster Constabulary. Of its victims, 340 were Northern Ireland Roman Catholics, 794 were Northern Ireland Protestants and 572 were not from Northern Ireland.

That same research states that the IRA lost 276 members during the troubles. However, in 132 of those cases, IRA members either caused their own deaths, as a result of hunger strikes, premature bombing, accidents and so on, or were murdered due to allegations of having worked for the security forces. Those executions killed more IRA members than any other organisation during the course of the troubles.

[Dr William McCrea]

The IRA was not fighting a just war, but through bombings, assassinations, kidnappings, punishment beatings of civilians, torture, extortion, robberies, racketeering and so on, even to the extent of kidnapping the racehorse, Shergar, and attempting to ransom it, it forced successive British Governments into endless concessions. Having pocketed one concession after another, it got an insatiable desire for more, and the more it demanded, the more it got. Meanwhile, the Unionist population was being castigated across the world for denying those poor downtrodden fearful republicans their rights. This terrorist organisation had a so-called army council, and on 20 February 2005, the then Irish Justice Minister, Michael McDowell publicly named Gerry Adams, Martin Ferris and Martin McGuinness as members of that council.

Let me go back for a moment to the day that the Prime Minister spoke in the House about the happenings in Londonderry. After his speech, the families of those mentioned in the Saville report made their way to a platform in Guildhall square, Londonderry, and to the cheers of the crowd, a member of each family read out the name of their loved one and shouted, "Innocent". The hon. Member for Foyle (Mark Durkan) also read out those names for the record in the House of Commons. Let me therefore remind my colleagues at Westminster—and put on the record some of the other names that were not read out—of those families who simply feel forgotten and were left to suffer in silence.

Those victims and families are worthy of justice but unfortunately the possibility of their getting it may be small. What are the Government to do for them? Today, no world media outlet has any interest in spreading the news of the deep hurt felt by the innocent victims of IRA terrorism around the world. No displays of one-upmanship or cheers of victory will resound across the airwaves from this Chamber. However, I am going to honour and remember the innocent victims of Northern Ireland.

Who will ever forget the three Scottish soldiers lured to their deaths at Ligoniel in March 1971? They were completely innocent. Let me recall the massacre of 22 February 1972 at Aldershot barracks. This is a list of the so-called trophies of IRA brutality: Gerry Weston, soldier and acting chaplain, the Parachute Regiment; Jill Mansfield, civilian cleaner; Margaret Grant, civilian cleaner; Thelma Bosley, civilian cleaner; Cherie Munton, civilian cleaner; Joan Lunn, civilian cleaner; and John Haslar, civilian gardener. They were all completely innocent.

What of Bloody Friday—21 July 1972—when there was a massacre of civilians in Belfast by Provisional IRA-Sinn Fein terrorists? More than 20 no-warning bombs were detonated in a crowded Belfast city centre. Nine were murdered and more than 100 innocent people going about their daily lives were injured. Brian Faulkner wrote in his memoirs:

> "Few people will forget seeing on television young policemen shovelling human remains into plastic bags in Oxford Street."

Those who died were Robert Gibson, Ulsterbus driver and civilian; William Kenneth Crothers; William Irvine; Thomas Killops; Stephen Cooper; Philip Price; Margaret O'Hare; Stephen Parker, 14; and Brigid Murray. They were all innocent, but of course that was only Bloody Friday—there was no apology to them.

Let us not forget the Claudy massacre of 31 July 1972—Bloody Monday. The roll needs to be called for the nine people who were murdered by IRA terrorists: Joseph McCloskey; Kathryn Eakin, eight; David Miller; James McLelland; William Temple—aged 16, he was in his first job—Elizabeth McElhinney; Rose McLaughlin; Patrick Connolly, 15; and Arthur Hone. The terrorists were no respecters of persons, but those people were all innocent. At Tullyvallen Orange hall on 11 September 1975, five innocent people were murdered: William McKee, farmer; James McKee, farmer; Nevin McConnell, livestock market manager; John Johnston, retired farmer, and William Herron. They were all innocent.

Can we forget the Kingsmills massacre, when 10 Protestant construction workers were murdered on 5 January 1976? Those men were taking their usual route home from a textile factory in Glenanne when their bus was stopped at a bogus security checkpoint. The gunmen asked each person on board the bus their religion. The driver of the minibus was a Roman Catholic. He was told to get out of the way and run up the road. The remaining workmen were lined up and shot down like dogs, with at least four different weapons, some of which were automatic. They were Joseph Lemmon, Reginald Chapman, Walter Chapman, Kenneth Worton, James McWhirter, Robert Chambers, John McConville, John Bryans, Robert Freeburn and Robert Walker. One man was hit 18 times but miraculously survived. He said that after they lined them up, it was all over in a minute, and after the initial screams, there was silence. Those workmen were all innocent.

On 17 February 1978, 12 people were incinerated when the IRA left a firebomb at La Mon House hotel. Three married couples were among the dead. More than 400 people were packed into the hotel. Some were attending the dinner for the Irish collie club and some were there for the Northern Ireland junior motorcycle club dinner. Those murdered that night were Thomas Neeson, Dorothy Nelson, Gordon Crothers, Joan Crothers, Ian McCracken, Elizabeth McCracken, Sandra Morris, Sarah Wilson Cooper, Christine Lockhart, Carol Mills, Paul Nelson and Daniel Magill. They were out for a dinner, and were innocent victims of IRA murder.

On 27 August 1979, 18 people were murdered in the tragedy known as the Narrow Water bombing. That was, I believe, the first time that the IRA used remotely controlled bombs in Northern Ireland. The first bomb that exploded killed six soldiers, and as the Wessex helicopter took off with injured soldiers, the provisionals detonated the second bomb from over the border, killing a dozen more soldiers. Let me give the roll of honour: Lance Corporal MacLeod, 24; Lieutenant Colonel Blair, 40; Corporal Andrew, 24; Private Barnes, 18; Private Dunn, 20; Private Wood, 19; Private Woods, 18; Corporal Giles, 22; Sergeant Rogers, 31; Warrant Officer Beard, 31; Private Vance, 23; Private England, 23; Private Jones, 18; Corporal Jones, 26; Private Jones, 18; Lance Corporal Ireland, 25; Officer Fursman, 35; and Private Blair, 23. All of them were innocent.

On 21 January 1981, the Provisional IRA murdered a former Stormont Speaker, Sir Norman Stronge, and his son James. It bombed their historic ancestral home, Tynan abbey. Sir Norman was 86 years of age and his son was 48. They were shot at point-blank range and died instantly. Sir Norman and James were innocent.

On 20 November 1983, the congregation of Darkley Pentecostal church were singing the hymn "Are you

washed in the blood of the Lamb?" Unknown to them, the Provisional IRA was to arrive at the church outside Darkley with the intent to murder. Three elders of the congregation were murdered and several others wounded. Those murdered were William Harold Brown, John Victor Cunningham and Richard Samuel David Wilson. The killers calmly stepped over the bloodstained bodies and began firing at the defenceless congregation, mainly composed of women and children. Fathers dived over their young children—one over his seven-month-old baby. As the people begged for mercy, the gunmen reloaded their weapons and sprayed the exterior of the wooden hall before cowardly disappearing into the countryside and over the border for safe lodgings. Those victims were all innocent.

On 28 February 1985, the IRA launched a deadly mortar attack on Newry police station, and that night the police lost the greatest number of personnel of any terrorist attack during the troubles. The roll of honour was Chief Inspector Alexander Donaldson, Geoffrey Campbell, John Thomas Dowd, Denis Anthony Price, Rosemary Elizabeth McGookin, Sean Brian McHenry, David Peter Topping, Paul Hillery McFerran and Ivy Winifred Kelly. It is right to note that Alexander Donaldson's brother, Constable Samuel Donaldson, was one of the first police officers to be murdered by the IRA, in August 1970. Those officers were all innocent.

Just before 11 am on 8 November 1987, a Provisional IRA bomb exploded in the heart of Enniskillen during the annual Remembrance day service. Without warning, the provos detonated that bomb, killing 11 people and injuring 63. The victims were William Mullen, 72; Angus Mullen, 70; Kitchener Johnson, 70; Jessie Johnson, 70; Wesley Armstrong, 62; Bertha Armstrong, 53; John Megaw, 68; Edward Armstrong, 52; Georgina Quinton, 72; Marie Wilson, 20; and Samuel Gault, 49. All the dead, who had been standing at that memorial, were civilians apart from one RUCR officer, and they were all innocent.

The 17th of January 1992 would be a day I would never forget. I was in my home when the phone rang to say that a van had exploded at Teebane, outside Cookstown. Construction workers were returning home from work down the Omagh-Cookstown road when a roadside bomb was detonated at the Teebane crossroads, leaving eight men dead and six others wounded. I identified the company whose workers travelled that road for the police, and I made my way to the awful scene of carnage. I assisted the police at the scene, walking among the dead and injured, and I did my best to comfort the bereaved. The victims were: William Gary Bleeks, Cecil James Caldwell, Robert Dunseith, David Harkness, John Richard McConnell, Nigel McKee, Robert Irons and Oswald Gilchrist. They were all innocent. Every year, we hold a memorial service along the roadside at Teebane, come rain, hail or snow.

Let me mention one other major slaughter of the innocent. On 23 October 1993, nine ordinary people on the Shankill road were murdered. The provos walked into Frizell's fish shop dressed in white coats and looking like delivery men. They carried a bomb that was to deliver death and destruction seconds later. The timer gave the terrorists 11 seconds to escape, but it gave the innocent shoppers no time. However, the bomb exploded early, and the carrier of the bomb, Thomas Begley, died in the explosion. Gerry Adams brazenly carried the bomber's coffin at his funeral—I suppose that by their actions we will know them. The roll of honour that day was: John Desmond Frizell, Sharon McBride, George Williamson, Gillian Williamson, Evelyn Baird, Michelle Baird, who was 7, Leanne Murray, who was 13, Michael Morrison and Wilma McKee. All of them were innocent.

When I came to the House many years ago, I brought with me a wedding photograph. The family circle in it was well known to me; it was the Kerrigan family. The photograph had four people in it: the bridegroom, the bride, the best man and the bridesmaid. Sadly, three of those four people were murdered by the Provisional IRA. The groom, the best man and the bridesmaid were all murdered by terrorists.

I sat in my study pondering again the many individuals who were murdered in our community. The UDR has recorded a list for Magherafelt, where I live: Private Callaghan, Captain McCausland, Private Sammy Porter, Private Hamilton, Captain Hood, Staff Sergeant Deacon, Captain Connelly, Private Stott, Private John Arrell, Private McCutcheon, Staff Sergeant R. H. Lennox, Private R. J. Scott, Captain Bond, Lieutenant-Colonel Speers, Lieutenant-Colonel McCaughey, Major Hill, Private David McQuillan, Lieutenant-Colonel Cloete, Lieutenant Kerr, Captain Gordon, Lieutenant-Colonel Montgomery, Private Ritchie, Private Alan Clarke, Lieutenant-Colonel Brownie McKeown, Sergeant Boyd, Sergeant Jamison and Private Boxall.

Then I thought of friends in my former constituency of Mid-Ulster, many of whom I walked among and whom I was happy to call friends: Albert Cooper; Winston Finlay; Ronald Finlay; Colin Carson; Edward Gibson; John Eagleson; Jack Scott; Raymond McNickle; Nigel McCollum; his brother, Reginald McCollum; Mr Watters; Jim Gibson; Robert Glover; Trevor Harkness; Matt Boyd; David Sinnamon; Donnelly Hazelton; George Elliott; Kenneth Johnston; John Proctor; David Shiels; little Lesley Gordon, who was just 10 years of age and who was murdered with her daddy; Wilbert Kennedy; Noel McCulloch; Leslie Dallas; Austin Nelson; Ernest Rankin; Robert McLernon; Rachel McLernon; and Derek Ferguson. The list goes on and on, but let the House not forget that behind every one of those names, and those of many other innocent victims—I apologise because time does not permit me to name them—there is a personal tragedy, a lifetime of heartache and tears. Every anniversary brings afresh the wrenching of the heart and the feeling that, for most, justice will never be done. All that these people see are murderers walking free, with some even being exalted to high office, while they themselves wait for justice.

As a Christian minister, I know that the judge of all the earth will one day call every man to account. For those who have not confessed and repented of their sins, there is a hereafter of eternal woe. They will not escape the justice of God. What, however, will our Government do for the families of these innocent victims? There are certain to be no expensive inquiries for them, and one can rightfully ask why there are such inquiries only for some. I have heard it said that it is because the people in Londonderry were killed by British soldiers. However, unlike those involved in the killings that I have placed on the record, and in many others, the soldiers in Londonderry did not set out to murder anyone; they did not seek to pick a fight with some innocent bystander. There was serious violence in

[Dr William McCrea]

Londonderry, with pandemonium and confusion across the city. There were stones and bullets, and mayhem had broken out; panic was everywhere. However, the people I have mentioned were threatening and endangering no one. Many were in their own homes, coming home, going to work or going to the shops. I have no doubt that no films will be made about Teebane or La Mon, and few film stars will line up to expose the murdering thugs of 30 years of republican terror.

Some suggest that a truth inquiry should be enough to satisfy my friends, but I simply ask what that will mean. Indeed, how could it be meaningful? When asked about his terrorist past, Gerry Adams looks into the camera and brazenly denies that he has ever been in the IRA. Martin McGuinness was exposed by the Saville report, despite saying in his evidence to the inquiry:

"I wish to make it clear that I will not provide the Inquiry with the identities of other members of the IRA on 30th January 1972 or confirm the roles played by such persons whose names are written down and shown to me...As a Republican I am simply not prepared to give such information."

The same man had the audacity to welcome the report, pointing the finger at soldiers, while dismissing the findings in regard to the part he was identified as having played in Londonderry with a sub-machine-gun.

I conclude by reminding the House that many thousands of innocent people in our Province carry scars in body and mind that will go with them to the grave. Many are the living dead, and some even pray for death itself. I had a mother in my constituency office the other day. She was an elderly lady in her 80s, and she was weeping over her 19-year-old son. It is many years since he was murdered by the IRA, but her pain, like mine, is as real today as ever. She asked what the Government will do for her. She got £200 for her son. Where are the wheels of justice turning?

I read an article about the Saville report in *The Times* on 22 February 2002. A son of one of the cleaning ladies in the incident at Aldershot said that although the 30th anniversary of Bloody Sunday had been marked by two films, media coverage and a renewed interest in the Saville inquiry that is investigating the killings in Londonderry, he and his three brothers would again have to remember their loss in silence. He said:

"I'm sickened by the fact that whenever Bloody Sunday is mentioned there is never a mention of the atrocity at Aldershot which was committed in the IRA's name."

He also said:

"There are so many films and documentaries about Bloody Sunday, but the feeling is that we're forgotten. Gerry Adams demanded an apology for Bloody Sunday and I remember thinking 'Where's my apology?'"

There is another comment, about the bombing of innocents in the city of Belfast. In 1997 an RUC officer interviewed by BBC reporter Peter Taylor said:

"You could hear the people screaming and crying and moaning. The first thing that caught my eye was a torso of a human being lying in the middle of the street. It was recognisable as a torso because the clothes had been blown off and you could see parts of human anatomy. One victim had his arms and legs blown off and some of his body had been blown through the railings. One of the most horrendous memories for me was seeing a head stuck to a wall. A couple of days later we found vertebrae and a ribcage on the roof of a nearby building. The reason we found it was because the seagulls were diving on to it. I've tried to put it to the back of my mind for over 25 years."

The Government have spent £192 million to give certain families in Londonderry closure: or will it be closure, when so many questions are left in the hearts of others, unanswered? Why did our loved ones have to die? Why did successive Governments allow IRA terrorism to go on for more than 30 years without determining to defeat it, holding to a policy of containment rather than conquering? Why did a Minister in a previous Government state that there was, in Northern Ireland, an acceptable level of violence? Why did it seem that, as long as the violence was kept off the streets of the mainland, the people of Northern Ireland would just have to accept it? Why, in the midst of our turmoil, did a Prime Minister state that his Government had no strategic interest in Northern Ireland? Why did the lying propaganda of republicanism go unanswered across the world? Those involved were the perpetrators and the murderers of the innocent; yet the majority population were maligned. The republican movement sat in their pubs and clubs around the world, romanticising their acts of barbarity against Britain, but there is nothing romantic about butchering men, women and children. It is time for the books to be opened. It is time for the answers to be given.

We, too, need closure. No one can understand the nightmare that the people of Northern Ireland have been through, terrorised in their kitchens and bedrooms, while walking the streets, as they sat in restaurants and hotels, or while worshipping in their churches; leaving their children in the morning and not knowing whether they would ever see each other again. We lived through that. It was reality. We need the truth. We need justice and no one can be too high or mighty to escape the reach of justice. What will our Government do to give it to us? We have to wait and see.

10.3 am

David Simpson (Upper Bann) (DUP): I welcome you to the Chair, Mr Chope and congratulate my hon. Friend the Member for South Antrim (Dr McCrea) on securing the debate on such an important issue. We can all agree that he spoke with passion and honesty about the issue of victims, many of whom, of course, were murdered in his constituency and in his former constituency of Mid Ulster. All of us who have been elected to this House have lost many friends in the past years.

We in Northern Ireland are under no illusions about the past. As my hon. Friend the Member for South Antrim said, we lived through it. We suffered it, visited the homes and followed all the coffins. We embraced the widows and the orphans, and in many cases we had personal loss and heartache to carry while trying to build a better future for others. I have spoken in the past about the members of my extended family who were murdered in such a cold, brutal and matter-of-fact way by terrorists. Those of us who were there during those dark years will carry the scars to our graves, but we are determined that the next generation will have a future better than the past we had.

We do not want the victims of that terrorist brutality to be left behind and under Government policy we run the risk of that very thing happening; we should not allow that. There are two areas of concern in which I

believe there is a danger of the Government's falling into the routine of previous Governments and making the same mistakes. The effect of that would certainly be that those who bore the brunt of the troubles and of vicious sectarian terrorism would be left behind by the Government. I appeal to the Minister in these early days of the Government to change direction and avoid that state of affairs.

The two areas I want to draw to the Minister's attention are related. The first is the process by which historical cases are dealt with. As my hon. Friend the Member for South Antrim mentioned, the Saville report was recently published; it cost in the region of £200 million. It was essentially a no-expense-spared inquiry. I will not deny those families their moment, but I will highlight the injustice flowing from Saville that automatically falls upon the many thousands of others who have nothing. Very many of those victims and relatives have no answers and no prospect of any answers. In fact, almost daily many people in Northern Ireland have insult added to injury, and must endure lies, which cover like a blanket the truth that everyone knows.

For example, Sinn Fein leader Gerry Adams continues with the fiction that he was never a member of the very organisation that he was a leader of. How could people ever have confidence in any truth-finding commission when, because of such denials of reality, it is guaranteed that the truth is highly unlikely to emerge? The Government could take a significant step in bringing Adams's fictional account to an end. They could publish the full security file on him and let everyone see for themselves just how much was known about his activities, including his personal role in creating victims. His continued denial only stymies any attempt to take the historical context forward.

The other thing that Saville has highlighted is the great imbalance between the finances that have been poured into it and funding levels associated with the treatment of other victims of the troubles and the handling of other historical cases. Clearly there is a need, even in financially straitened times, for the Government to do everything possible in that regard.

The second general area of concern that I wish to raise today is not about already existing processes. Rather, it is about those areas relating to the troubles, and to the victims and survivors of the troubles, for which at present there is simply no process in place. Recently the Northern Ireland victims commission argued for the establishment of some sort of truth-finding forum. We also have the recommendations of the Eames-Bradley consultative group on the past.

On the question of a comprehensive truth forum, given that one of the IRA's main godfathers is in denial about his role, does the Minister agree that Unionists are justified in thinking that it would be a waste of time? On the Eames-Bradley proposals, the then Secretary of State agreed that the so-called recognition payment was unjustifiable. Will the Minister tell us his view on the granting of legitimacy to cold-blooded sectarian terrorists?

That brings me on to the final matter that I wish to raise under this general heading. Those who campaigned for the Saville inquiry did so in large part because they thought that the involvement of the state set it apart—in other words, the Government were up to their neck in it. It was argued that the state should have higher standards than terrorist organisations, and that a democratic Government should uphold and enforce the laws that have been passed.

There have been long-standing allegations about the involvement of elements of the Dublin Government in the setting up and arming of the Provisional IRA. If true, we need to keep in mind what those allegations would entail. If elements of the Dublin Government were involved in the formation and arming of the provos, it would mean that actions by elements of the southern Government had led directly to the murder of UK citizens in places such as Warrington and London.

Those allegations, if true, would mean that elements of the southern Government were implicated in the IRA's attempt to kill the entire UK Conservative Government at the Grand hotel in Brighton. It would mean that elements of the Dublin Government were implicated in the attempt to kill the UK Cabinet when the IRA fired mortars at No. 10 Downing street. It would mean that elements of the Dublin Government were implicated in the mortar bomb attack on Heathrow airport. It would also mean that elements of the Dublin Government were implicated in the murder of many hundreds of UK citizens in Northern Ireland. If true, the allegations would help to explain why the extradition of suspects from the Irish Republic was so difficult. It would also help to explain why people could organise open collections for republican terrorist organisations in places such as Buncrana, Bundoran and Dundalk.

It is a truly shameful thing that a succession of UK Governments should have failed to press the Dublin Government to put an inquiry in place to investigate those allegations. A succession of UK Governments, of whatever colour, have turned a blind eye to the allegations; never once did they put their own citizens first and demand that the truth be told. In the early days of this new Government, I ask the Minister to have the resolve to end that silence and to press Dublin for a full independent public inquiry into those long-standing allegations.

I made a similar call in the *Belfast News Letter* a couple of weeks ago, and I was contacted by a number of victims of the troubles from different parts of Northern Ireland. They all said that they agreed with me, making it very clear that this culture of silence needs to be brought to an end by our Government. I take the opportunity to ask the Minister if he will agree to meet the victims of the troubles and to hear their call for such an inquiry; and I ask for Government support for an inquiry.

I know that other colleagues will wish to speak on other matters relating to the victims of the troubles. I do not want to take up any more time. I simply ask the Minister to remember that it is the first duty of Government to safeguard the country's citizens.

I am sure that this newly formed coalition will have got to grips with the security situation in Northern Ireland, and I am sure that they will agree that there are matters of concern. However, we have a problem in Northern Ireland today with the so-called dissident republicans. I referred to them a while back, saying that I saw no difference between them and the provos because they were all pigs out of the same litter. I was rounded on by many in the press for saying so, because it was thought unsuitable for someone who sits in this grand House to use such language, but I repeat it: they are pigs

[David Simpson]

out of the same litter. I ask the Government not to allow these so-called dissidents to get the same hold over Northern Ireland as the provos did when causing the mayhem, disaster and tragedies that my hon. Friend outlined.

10.16 am

Mr Jeffrey M. Donaldson (Lagan Valley) (DUP): I apologise for not being here to listen to the remarks of my hon. Friend the Member for South Antrim (Dr McCrea). I congratulate him on securing this debate, which is on an important topic. Indeed, it is an emotive topic, as we saw recently with the publication of the Saville report into the events of 1972 in Londonderry. That was preceded by the publication of the Eames-Bradley report, which examined how we might deal with the legacy of the past.

There is no doubt that we have no consensus in Northern Ireland—no political consensus and none among the people of Northern Ireland—on how we should deal with that legacy. There is no consensus on how we should come to terms with what has happened; on how to deal with matters such as justice for those who have not yet had the people responsible for the murder of loved ones brought to justice; on how to deal with the continuing hurt, pain and grief and, in many cases, the injuries and disabilities sustained as a result of terrorist violence. Those are big issues, and I know that the Northern Ireland Executive, and particularly the First Minister and Deputy First Minister, have been seeking to come to terms with them and to provide a greater level of support for the victims in Northern Ireland.

I highlight the fact that over the past three years, the Northern Ireland Administration has set aside a substantial amount of money—more than £30 million—to provide practical help and support for the victims of violence in Northern Ireland. That is welcome, but in many respects it merely touches the surface. Looking beyond it, we see that a multiplicity of problems needs to be addressed. Indeed, I am aware that the Northern Ireland Executive is beginning the task of engaging in a comprehensive needs assessment. It will seek to engage with all victims, to consider their needs and hopefully to design and put in place practical support for them, including victims with injuries. Indeed, evidence suggests that victims who suffered injuries during the troubles in Northern Ireland feel much neglected. A group has been formed that is pressing for greater recognition of those thousands of people who suffered serious injury and trauma during the troubles—and they are worthy of that recognition. We also have the legacy of more than 3,000 unsolved murders in Northern Ireland, which needs to be addressed. The Historical Enquiries Team faces the difficult and challenging task of examining and re-examining historical cases of murder in Northern Ireland. I have worked with a number of families who have been engaged with the Historical Enquiries Team, and found that it can be a painful process. Very often, they learn things about what happened to their loved ones that they perhaps were not aware of before. Such investigations can reopen old wounds, but sadly, in most cases, they do not often lead to convictions. Although the team has had some recent successes, there is a legacy of people feeling that they have not had justice.

The other issue is one of recognition of the sacrifice that people have made. I include here those members of the security forces who gave their lives or sustained serious injury in the service of our country; and the armed forces, the Army in particular, who served in Northern Ireland. I was proud to serve in the locally recruited Ulster Defence Regiment, which provided support to the police in Northern Ireland. I know that there are hon. and gallant Members present who have served with the armed forces in Northern Ireland, and we recognise their contribution and sacrifice. One of my saddest moments as a Member of Parliament was attending the final ceremony for the disbandment of the Home Service battalions of the Royal Irish Regiment. Her Majesty the Queen presented them with the Conspicuous Gallantry Cross in recognition of the huge sacrifice that they and the Ulster Defence Regiment before them made during the period of the troubles.

The Royal Ulster Constabulary was awarded the George Cross in recognition of its gallantry and sacrifice. Hundreds of police officers lost their lives in the course of the troubles. Indeed my own family was affected, as were many families, in that way. My cousin, Constable Samuel Donaldson, along with Constable Roy Miller, was the first RUC officer to be murdered by the Provisional IRA. It happened on 12 August 1970 at Crossmaglen, which later became synonymous with the activities of the IRA. That was unfortunate because many good people live in Crossmaglen. After the murder of my cousin, my family received hundreds of cards and letters of sympathy from the community in Crossmaglen, which was horrified by the murder of these two young police officers. The officers, who were serving and protecting the community, were cut down in cold blood by the Provisional IRA.

Sadly, from those two deaths followed many, many others during the troubles as the RUC stood in the gap between terrorism on the one hand and the community on the other. I say without fear of contradiction that both the Army and the police, who sought to serve and protect the people of Northern Ireland, placed themselves in the firing line. It is unfortunate that there are some who seek to mark out the legacy of the Army and police in Northern Ireland by way of controversy. We saw that with the Saville report. On the day that the report was published, the Prime Minister told the Commons that the events were not the legacy of the Army in Northern Ireland, any more than the so-called shoot-to-kill events were the legacy of the RUC in Northern Ireland. The police and the Army acted in a professional way; they put their lives on the line and sought to protect the community. Had they not done that, Northern Ireland would have slipped over the edge into all-out civil war. There would have been anarchy and thousands more would have lost their lives as a result of the terrorist violence.

We must recognise this legacy and seek to find ways in which to deal with it. As my hon. Friend the Member for Upper Bann (David Simpson) said, it is a matter not just for this Government, the Northern Ireland Administration and the people of Northern Ireland, but the Irish Government. The Provisional IRA and other terrorist organisations used the territory of the Irish Republic from which to launch attacks on Northern Ireland. I have been involved in working with some of the families in the Smithwick inquiry, which is examining

the events surrounding the murder of the two most senior police officers in Northern Ireland during the course of the troubles. That inquiry, which is ongoing and will begin its public sessions in the autumn, involves the Irish Government. There are allegations of collusion between members of the Garda Siochana—the Irish police—and members of the Provisional IRA in the murder of chief superintendent Harry Breen and superintendent Bob Buchanan. They were brutally murdered on their way home from a joint meeting with their Garda counterparts at Dundalk police station. Such issues must be addressed. What we cannot have, and what we will not countenance, is a one-sided process that constantly puts the Army and the police in the dock and ignores the terrorists. Let me be clear, I refer here to so-called loyalist paramilitaries as well. Their actions must be examined and they must be held to account for what they did. We are not prepared to see millions of pounds of taxpayers' money being spent on investigating the activities of the police and the Army while minimal attention is paid to the paramilitaries.

We support the work of the Historical Enquiries Team, but it needs to be properly resourced and given the authority that is required to pursue such investigations. We have concerns about further costly inquiries, which is why we believe that the HET represents the best way forward, but it needs to be properly supported and resourced so that it can investigate unsolved crimes and murders that occurred in the course of the troubles. We want to see justice for the victims. They are as entitled to justice and truth as the people of Londonderry are in respect of the events arising from the Saville report. We cannot have a hierarchy of victims in which a small number of people get priority and precedence and millions of pounds for inquiries to investigate murders. Thousands of others do not have the same recognition and support. They often feel that their loved ones have been forgotten and that the events surrounding their murders have been pushed to one side. That must not be allowed to happen.

I know that my hon. Friends have outlined some of the atrocities that are deserving of further inquiry, and they include incidents where there is evidence either of collusion on the part of Irish state authorities or where the Irish Government turned a blind eye and allowed their territory to be used by the Provisional IRA. I can think of one particular incident and it is relevant to the issue of the Saville inquiry because it involved the murder of many members of the Parachute Regiment at a place called Narrow Water, at Warrenpoint in South Down in Northern Ireland. There were 18 soldiers murdered that day. Incidentally, it was the same day that Earl Mountbatten was murdered by the Provisional IRA. In the follow-up investigation to the events of Narrow Water, two members of the Provisional IRA were identified as potentially having been involved in that atrocity. The RUC tried to co-operate with the Garda in bringing those two men to justice, but its efforts were thwarted. Every legal block was put in the way of the police investigation.

I believe that there are issues there that need to be addressed by the Irish Government. Why, in those days, did the Royal Ulster Constabulary not receive the co-operation that it deserved to receive from the Irish police and from the Irish legal authorities? Those are issues that we need to examine.

In conclusion, as I said at the beginning of my speech this is a very emotive issue. We recognise that it is an issue that must be tackled in Northern Ireland, but it must be tackled sensitively. What we will not countenance is the type of "all-singing, all-dancing" commission that was proposed by Eames-Bradley. We do not believe that that is the way forward. I support my colleagues in their contention that the HET should take the lead in investigating unsolved murders; we want to see it take the lead. We want to see adequate resources made available for the HET. We want to see greater recognition of the suffering of the victims. That means looking at their needs and providing them with the support that they need—both the practical support and indeed the financial support that many of them need, as a result of losing in very many cases the main breadwinner in a family.

Mr Chope, I welcome the opportunity to participate in this debate and I thank you.

10.30 am

Paul Goggins (Wythenshawe and Sale East) (Lab): It is good to see you in the Chair this morning, Mr Chope.

I want to begin by congratulating the hon. Member for South Antrim (Dr McCrea) on securing this debate and indeed I thank him for doing so. At the outset, he described it as the most difficult debate in which he had ever spoken at Westminster, but he spoke eloquently and very movingly, not least about the difficult emotions that he faced on 15 June when the Saville report was published. We all remember that day, and the measured, sympathetic and unequivocal terms in which the Prime Minister spoke; I welcomed that approach very warmly indeed. We also remember that my hon. Friend the Member for Foyle (Mark Durkan), who is with us this morning, read out with great emotion the names of his constituents who were exonerated by the Saville report.

Furthermore, I remember, as others will, the very moving statement from the hon. Member for South Antrim on 15 June, when he spoke about the civilian construction workers who were murdered in Teebane in 1992. He also spoke about his cousin Derek, who was murdered in 1991, and about his cousins Robert and Rachel, who were murdered in 1976. He asked on 15 June:

> "How do we get justice, and how do we get the truth?"—[*Official Report*, 15 June 2010; Vol. 511, c. 755.]

He has asked those same questions again this morning, and he has reminded us that often the victims are not high-profile; they are often lonely and isolated, and they often go unheeded. I think that it was important that he read out and put on the record some of the names of those forgotten victims of the troubles of Northern Ireland.

I feel that we must tread very carefully in this territory, particularly those of us who are not from Northern Ireland. We must approach a debate such as this one with great humility and with real respect for the unresolved emotions and feelings of anger, injustice, grief and sadness, which in many cases will simply never go away, certainly not in this life.

We have much to celebrate today about Northern Ireland and the progress that has been made. The tragic pictures graphically painted by the hon. Member for South Antrim are, in a very real sense, a thing of the

[Paul Goggins]

past—we have moved on. Right hon. Members and hon. Members in Westminster Hall today have played a great part in that, along with others, by taking us through the peace process and the political progress that has happened as a result of the Good Friday agreement, the St Andrews agreement and, most recently, the Hillsborough Castle agreement.

As the right hon. Member for Lagan Valley (Mr Donaldson) reminded us, today we must of course recognise the tremendous work that has been done in providing practical support to victims in Northern Ireland over the years. That work has been funded by Government in some respects but it has also been helped by voluntary organisations too. However, we come back to the fact that there is still much to do in relation to the past; there is still much that faces us in the search for closure, to which the hon. Member for South Antrim referred.

Of course, one way of trying to achieve that closure is holding public inquiries, and we have heard much about the Saville inquiry. I was pleased that on 15 June, the Prime Minister insisted on focusing on the substance of the Saville report, rather than on controversial issues about the length of time taken to conduct the inquiry and its cost. I hope that the report will enable the families involved and the wider community to move on, as we all wish to see.

There are other public inquiries, of course. Will the Minister, in his summing up, tell us what progress he can report in relation into the Robert Hammill inquiry, the Rosemary Nelson inquiry and the Billy Wright inquiry? All of the reports from those inquiries need to be published. Can he tell us what arrangements he is putting in place for doing so? For example, will they be the subject of statements to the House?

Another issue arising from the negotiations at Weston Park in 2001 is the question of a public inquiry into the death of Pat Finucane. I know of and fully respect the desire of the Secretary of State not to rush to judgment on that issue; he wants to meet the family first and have a discussion with them. Nevertheless, can the Minister give us some sense of the time scale involved in relation to that issue and about the discussions that the Secretary of State wishes to have?

There are other cases where there are campaigns for public inquiries, but no such inquiry is promised. One of those campaign is being pursued by the families of 11 people who lost their lives in the Ballymurphy area in August 1971, and the Minister was pressed on that issue last week. Can he tell us what consideration he has given to that particular campaign, and whether or not he or the Secretary of State will meet representatives of the families in the near future?

Another way of trying to examine the events of the past is by holding inquests, which we sometimes fail to remember are a very important form of public inquiry. Before the devolution of policing and justice powers in Northern Ireland, there were about 20 outstanding historic inquests. Many of them have been delayed because of legal challenges and because they were subject to judgments by the European Court of Human Rights. Although the coronial system in Northern Ireland is devolved, the Minister will retain a significant interest in many of these inquests, because of the national security issues involved. I wonder if he can give us an update on the progress of those outstanding historic inquests and if he can tell us whether the newly appointed Attorney-General has yet exercised his powers to reopen inquests in certain cases. If the Attorney-General has exercised those decision-making powers, how many inquests have been reopened? If any have been reopened, what is the cost and who will bear it?

A further way of dealing with tragedies in the past has been through the Historical Enquiries Team, which we heard about from a number of right hon. and hon. Members. It was established in 2005 to review all the deaths attributed to the conflict between 1969 and 1998—3,268 deaths in all. I want to place on record my appreciation to the former Chief Constable of the Police Service of Northern Ireland, Sir Hugh Orde, who established and pursued this very innovative approach to trying to deal with the unresolved deaths of the past. I believe that he should be given great credit for that and I hope that the whole House will join me in expressing that view.

The Committee of Ministers of the Council of Europe described the HET as playing an important role in bringing "a measure of resolution" to those affected. The HET enables the state to meet its obligations under article 2 of the European convention on human rights, but more importantly it offers information and explanations to families who are still grief-stricken and bewildered years after the murder of their loved ones.

In his statement to the House on the Saville inquiry, the Prime Minister made much of the work of the HET. However, the £34 million of additional funding that the previous Government made available for the HET runs out next March. Will the Minister tell us whether he has had any discussions with the Northern Ireland Justice Minister, David Ford, about the future funding of the HET? This is a very pressing issue, because with pressure on policing budgets and—who knows?—even greater pressure after the comprehensive spending review the problem will become even more acute in Northern Ireland: every pound that is spent on policing the past is a pound that is not spent on policing the present. Indeed, we were reminded in this morning's debate of the importance of some issues facing Northern Ireland and the importance of putting resources into dealing with the challenges that remain. I therefore wonder if the Minister can enlighten us on any discussions that he has had with the Northern Ireland Justice Minister about the future funding of the HET.

Individual investigation alone, through public inquiries, inquests and the HET, cannot provide deeper answers in the search for truth and reconciliation, which require a wider process that engages the whole of Northern Ireland society. In my view, Robin Eames, Denis Bradley and their colleagues in the Consultative Group on the Past deserve great credit for beginning the process at least of searching for that truth. They said that dealing with the past is a process, not an event, and I agree. Although their conclusions may be imperfect and subject to criticism across Northern Ireland for many different reasons, they are at least a start. The report reflects considerable work and many public meetings and submissions.

I welcome the confirmation last Wednesday that the Government intend to publish a summary of the responses to the previous Government's consultation on their proposals. It is easy to understand why proposals for a

£12,000 recognition payment were rejected out of hand universally, but it is more difficult to begin to tease out what is required for genuine reconciliation.

Eames and Bradley say that two ingredients are essential to the search for reconciliation: forgiveness and truth. Those words are easy to say, but much harder to pursue in practice. It is hard, if not impossible, for some people to forgive. Some, of course, are not yet seeking forgiveness because they still do not regard what they did as wrong. The search for truth is problematic because people have different versions of the truth, and some—although I am not one of them—would argue that we will never get at the truth fully while the possibility of prosecution remains, and that the search for truth requires the removal of that possibility. The experience of the Northern Ireland (Offences) Bill demonstrates that although the people and politicians of Northern Ireland may be prepared to speed up the process of justice using early release from prison and so on, they are not prepared to circumvent it altogether.

Eames and Bradley point to many interesting and important initiatives such as healing through remembering, storytelling and days of recollection. In my personal view, there is much to be gained by working with Churches, voluntary organisations and trained volunteers in quieter and less high-profile ways to take people through the healing process, hopefully releasing them from the grip of some of their terrible memories as everybody tries to face the future. It will not be a perfect reconciliation. The hon. Member for South Antrim made the point that in the end, there are some people whom perhaps only God can heal. However, we must try. We must use Eames-Bradley and other initiatives as a stepping stone to move forward and face the issues.

On dealing with the past, I would like to ask the Minister about the independent commission for the location of victims' remains. Great credit is due to Kenneth Bloomfield and Frank Murray for the way in which they have led that initiative. It is traumatic not only to lose a loved one but never to be able to find their body because it is buried who knows where. The commission has taken on the heroic task of helping families by uncovering such information. It has had some success, but what assessment has the Minister made of the commission's work, and what future does he believe it has?

I shall conclude by pressing the Minister on two issues that I believe are important now. First, what is the new coalition Government's attitude on the holding of public inquiries? In his statement on the Saville inquiry, the Prime Minister said that

"there will be no more open-ended and costly inquiries into the past."—[*Official Report*, 15 June 2010; Vol. 511, c. 741.]

However, in answer to questions on the statement, he said that

"we should look at each case on its merits".—[*Official Report*, 15 June 2010; Vol. 511, c. 744.]

Those statements are clearly contradictory. Those considering future inquiries as a way of resolving the problems of the past—whether a Finucane inquiry or the inquiry demanded by the families of the Ballymurphy victims—will need to know where they stand. It is important that we understand clearly and as soon as possible what the Government's approach is.

Secondly, what does the Minister understand to be the role and responsibility of central Government alongside the roles and responsibilities of the devolved Executive in Northern Ireland? Only last week, the Commission for Victims and Survivors laid at the door of central Government in London and Dublin the responsibility for taking matters forward, yet on the very same day, the Secretary of State said that

"we cannot impose. It is up to people in Northern Ireland to work together to decide a strategy going forward."—[*Official Report*, 30 June 2010; Vol. 512, c. 848.]

I contend that there are responsibilities on all sides. We cannot simply abrogate our responsibilities to somebody else. Central Government have responsibilities, just like the Executive.

I end, as I began, by paying tribute to the hon. Member for South Antrim for reminding the House of the forgotten victims of the conflict in Northern Ireland. Their memory should reinvigorate and spur on our search for the truth and for reconciliation.

10.45 am

The Minister of State, Northern Ireland Office (Mr Hugo Swire): It is a pleasure to serve under your chairmanship, Mr Chope. I congratulate the hon. Member for South Antrim (Dr McCrea) on securing this debate. No one can have failed to be moved by what he said. I acknowledge the loss that he has suffered with the murder of members of his family, and the horrible scenes to which he has borne witness. My sympathy and, I am sure, the sympathy of the whole House, is with him.

In the time left to me, I will try to answer all the questions that right hon. and hon. Members have asked me. I recognise and empathise with the suffering of all victims of terrorism in Northern Ireland. The list of innocent victims read out was a salutary reminder of the horrors and injustices of the past. What struck me more than almost anything else is how many of them were young and were cut off before they reached adulthood.

As my right hon. Friend the Prime Minister said in his statement to the House on 15 June, we should never forget that the overwhelming majority of those who lost their lives in Northern Ireland—some estimate nearly 90%—were killed by terrorists. The brutal terrorist campaigns waged by republican and loyalist paramilitaries caused enormous suffering, whose lasting impact I do not forget, but I remain firmly of the view that there was and is no justification for politically motivated violence. I want to make it clear that the Government absolutely condemn the terrorist crimes that have been committed.

The hon. Member for South Antrim raised a number of important points about Government policy in relation to victims of terrorism in Northern Ireland. He is right to emphasise the importance of addressing victims' continuing needs. As a UK Minister, I am mindful of the need to recognise that a number of important powers relating to victims' issues have been devolved to the Northern Ireland Assembly. Our considered response to the Bloody Sunday inquiry report demonstrates that, for our part, the Government take seriously our responsibilities on the past, but I am firmly of the view that dealing with the past cannot be a matter for the UK Government alone. As the victims commissioners said, an effective approach to the past will be based on political and civic consensus.

[Mr Hugo Swire]

To answer the question asked by the shadow Minister, the right hon. Member for Wythenshawe and Sale East (Paul Goggins), about the Government's approach to future inquiries, I can only concur with Justice Minister David Ford, who said:

"We cannot have a Saville-type inquiry for all the tragedies of the past, but the fundamental matter of dealing with the past is something which has to be dealt with collectively by the Executive."

The shadow Minister also compared the Bloody Sunday inquiry to cases involving other victims. To respond to the right hon. Member for Lagan Valley (Mr Donaldson), the Prime Minister made it clear in his speech at La Mon House during the general election campaign, and again in his statement on Saville, that no Government he leads will ever put those who uphold democracy and the rule of law on an equivalent footing with those who have sought to destroy it. We will also not be party to a rewrite of history that seeks to give a spurious legitimacy to terrorist campaigns on all sides. I am clear that the state must be determined to judge itself against the highest standards. In relation to the Bloody Sunday inquiry report, the Prime Minister demonstrated how that had to be true and how the state's standards had to be higher than those elsewhere. It is important that the Government continue to emphasise the crucial distinction between the state's response to wrongdoing, and the actions and responses of terrorists.

The hon. Member for South Antrim is, of course, right to note that the public inquiries that are under way have proved very costly. The Government are clear that there will be no more open-ended and costly inquiries. However, our views on the process followed for such inquiries should not detract from the need to consider the substance of their reports when they are published.

The right hon. Member for Lagan Valley and the hon. Member for Upper Bann (David Simpson) raised the work of the Historical Enquiries Team. The Government have been strongly supportive of the HET, which is investigating 3,261 deaths in the period 1968 to 1998, including deaths from all sides of the community. I understand that the HET has completed 782 reviews relating to cases involving 1,007 victims.

The right hon. Member for Lagan Valley and the shadow Minister raised the issue of funding for the HET. They will know that responsibility for directly funding the HET now lies with the devolved Administration. However, the Government have made a substantial financial package available to the Northern Ireland Executive to deal with these issues. Despite the pressure on finances, we have honoured the commitments we gave in opposition on the matter. The Government have not directly specified—nor should they—that the Executive should make funds available to the HET or, indeed, to the police ombudsman. That is properly a matter for the Justice Minister and the Executive to decide on. However, the financial package that the Government have provided enables the Justice Minister and the Executive, despite the huge pressure on the public finances, to continue to ensure that such important work has the funding it requires.

On addressing the needs of victims more generally, I welcome the work being done by the First and Deputy First Ministers, the victims' commissioners and the victims' forum. Some positive steps in the right direction include the strategy for victims and survivors—published last November—the comprehensive needs assessment being undertaken by the victims' commission, and the plan to introduce a new victims and survivors service next year. I am very much aware of the role played by voluntary and community groups on the ground in Northern Ireland. As I am sure we would all agree, their work in supporting victims and promoting reconciliation is crucial. I agree with the victims' commissioner's view that we must build "from the ground up" when considering how best to deal with the past in Northern Ireland.

A number of issues raised by the hon. Member for South Antrim relate to the broader question of how best to deal with the past in Northern Ireland. I reiterate my view that there is no question of the Government imposing solutions on Northern Ireland. My right hon. Friend the Secretary of State and I intend to listen to the views of people from across the community on dealing with the past in Northern Ireland. That listening process will be important in helping to determine the role that the UK Government can play.

I also want to reassure the hon. Gentleman that the Secretary of State and I intend to meet victims and groups from both sides of the community to listen to their views. He has specifically raised a number of cases involving murders committed by republican terrorists. I fully recognise that the memories of those atrocities remain raw for many people in his community. I reassure him that I agree with the point made by the victims' commissioners that the past cannot be dealt with in a way that holds only the state accountable. The commissioners have identified a number of cases that they note retain iconic significance for the Unionist community. I recognise that that is an important point, and I stress to the hon. Gentleman that the Government will approach the legacy of the past in a measured and impartial manner. It is important that any approach to the past does not seek to favour, or is not perceived as favouring, any particular section of the community.

The hon. Member for Upper Bann raised a specific question about the past role of the Irish Government. It is of course for the Irish Government to respond directly to specific allegations relating to their past role. However, I recognise the importance of involving the Irish Government in discussions on how best to deal with the legacy of the past. The hon. Gentleman will want to know that the Secretary of State has already had a series of meetings with the Irish Government, and that I will be travelling there shortly. In the Taoiseach's statement to the Dail last week, he noted that the Irish Government would continue to work with the UK Government and the Northern Ireland Executive on contributing to the healing process in Northern Ireland. I welcome that commitment.

Before I conclude, I shall address some of the points raised during the debate. The shadow Minister, the right hon. Member for Wythenshawe and Sale East, asked for an update on progress with the Wright, Nelson and Hamill inquiries. We expect all those inquiries to publish their findings by the end of this year, and my right hon. Friend the Secretary of State will today lay a written statement on the pre-publication process for the Billy Wright inquiry report. Other inquiries will follow a similar process, with a written ministerial statement.

The right hon. Gentleman also asked whether the Attorney-General had reopened any inquests and what their costs will be. He will understand that in Northern

Ireland, the new Attorney-General has exercised his powers in that regard. With devolution of justice powers, issues such as the cost of specific inquests should now be addressed to the Justice Minister, David Ford. The right hon. Gentleman also asked about the Finucane inquiry, and I can tell him that my right hon. Friend the Secretary of State has written to the family and offered to meet them. I know he is very keen for that meeting to take place as soon as is practicable. On Ballymurphy, again, the Secretary of State has met the Ballymurphy families and intends to do so again in the very near future.

The hon. Member for Upper Bann raised the issue of the security file and Gerry Adams. Regarding the publication of any security information held by the Government, he will know that it has been the long-standing policy of successive Governments never to comment on security matters. The hon. Gentleman asked me to meet the victims, and I would of course be happy to meet him and any of the victims he mentioned in his speech. My right hon. Friend the Secretary of State has already met many victims' groups and will continue to do so.

Today's debate has been on the Government's policy on the victims of terrorism in Northern Ireland, and in the time available to me I have tried to show that we do not believe that it is just for the UK Government to impose such a policy on the people of Northern Ireland. If it is to succeed, it must be done in co-operation with the Northern Ireland Executive and, at times, the Irish Government. However, crucially, such a policy can provide some of the answers to the questions we have discussed this morning only if it is done by the people of Northern Ireland—the people who have suffered in the ways we have heard about this morning. I was particularly struck by what the hon. Member for Upper Bann said about wanting our children to have a better future than their parents did. I can think of no better way to end the debate than with a note of cautious optimism. With devolution now working in Northern Ireland, we can all—those of us who have responsibility—work together to make Northern Ireland a better place in the future.

DNA and CCTV (Crime Prevention)

11 am

Philip Davies (Shipley) (Con): It is a pleasure to serve under your chairmanship, Mr Chope, and I hope that you will pass my thanks to Mr Speaker for granting the debate. It is a welcome opportunity because the debate on the effectiveness of DNA and CCTV in tackling crime has, up to press, been rather sterile. It has been characterised as a debate between those who claim to believe in civil liberties and those who are seen as authoritarian; if one believes in the use of DNA and CCTV, one is automatically regarded as an authoritarian, and if one does not believe in their use, one must believe in civil liberties. I do not accept that rather simplistic premise. Today I want to make the pro-freedom case for CCTV and DNA.

I am a Conservative because I believe in freedom, and I am also proud to be a member of an excellent organisation called the Freedom Association. The last Government were one of the most authoritarian, intolerant and illiberal Governments that the country has ever seen, so I certainly do not support some of the measures they introduced. I consider measures such as identity cards and the ability to lock people up without charge, potentially for 90 days, to be authoritarian

The police asking to see one's papers is something one would expect to see in an authoritarian state; that would impinge on my individual freedom. However, CCTV cameras being installed on a particular street and forensic laboratories holding my DNA do not in any way impinge on my freedoms, because they do not stop me doing anything that I would otherwise want to do or going about my daily lawful business. We need to distinguish between those measures that impinge on people's freedoms and those that do not.

The coalition Government have pledged to regulate CCTV and remove from the DNA database the profiles of individuals who are not successfully prosecuted after three years. I believe that the first duty of any Government is to protect the public; it is for that reason that I believe we need, if anything, more CCTV cameras and more people on the DNA database, rather than fewer. Some might argue that that would be an infringement of people's civil liberties, but I do not know what that term really means. "Civil liberties" is one of those terms bandied about that we are all supposed to believe in because they sound good, such as sustainable development, but no one really knows what they mean. We all believe in social justice, but no one really knows what it means. I am sure that we all believe in civil liberties, but we do not know what the term means. In fact, the definition of civil liberties states:

> "They are given to treat all the people equally under the law and make them enjoy rights of speech, protection, enjoyment and liberty."

It seems to me that the word "protection" is often missed out when people quote about civil liberties. I believe that one of my civil liberties is to walk down the street safely without being the victim of a serious crime. If DNA and CCTV means that more rapists, murderers and muggers are in prison, that enhances my freedoms rather than diminishing them.

I want to be clear from the outset that I am not in favour of the overuse and abuse of CCTV cameras. I do not agree, for example, with local authorities putting

[Philip Davies]

cameras into people's bins to see what kind of rubbish they throw out, which is ludicrous. I am talking about using CCTV as a crime-fighting measure for identifying and prosecuting criminals. There are many reasons for further regulating CCTV; it has been suggested that the images are often of poor quality, that the cameras are costly to install and run and that they can be used for underhand purposes. I want to tackle all those concerns. We should not, however, be provoked into a knee-jerk reaction and, as a result, remove cameras, reduce their numbers or over-regulate their use, which would make them worthless. CCTV images are now often of high quality and have good time frames, and many pictures are now in colour. It is possible to see things from different angles using footage taken from different cameras.

A Scotland Yard study into the effectiveness of surveillance cameras revealed that almost every Scotland Yard murder inquiry uses CCTV footage as evidence. In 90 murder cases over one year, CCTV footage was used in 86 of the investigations, and senior officers said that it helped in of the 65 cases by capturing the murderer on film or the movements of suspects before or after an attack. Scotland Yard's head of homicide, Simon Foy, said:

"CCTV plays a huge role in helping us investigate serious crime. I hope people can understand how important it is to our success in catching people who commit murder."

In many areas, CCTV is watched live by monitoring teams who can call the police to the scene of a crime.

Emma Reynolds (Wolverhampton North East) (Lab): Does the hon. Gentleman agree with me that CCTV evidence has had a big impact in reducing the number of contested prosecutions and, therefore, the cost to the criminal justice system?

Philip Davies: The hon. Lady is absolutely right and has pre-empted what I was about to say. In this age of austerity, we should be trying to find ways of reducing the cost of the criminal justice system, and as she rightly noted, CCTV is a key way of doing that.

Unless millions of police officers are stationed on every street corner, in every park and on every road, without CCTV those crimes would go unreported and often undetected. A prime example is that of the so-called "crossbow cannibal", who was arrested on suspicion of murdering three prostitutes in my home city of Bradford, but only because he was caught on CCTV. Without CCTV, that arrest would never have been made. We would never have been able to identify the 7 July bombers without the CCTV footage from the tube because the police would have been unable to track their movements on that day.

Let us look at the cost-effectiveness of CCTV. The average running cost of a CCTV system with 150 cameras is about £320,000 a year, and on average 3,000 events are monitored every year by each system, giving an average cost of about £100 per incident. It seems to me that that is good value for money in this age of austerity. It seems even better value when we consider that a 12-month experimental study in Burnley showed a 28% reduction in crime in an area with CCTV, compared to a 10% increase in crime in an area that relied solely on policing. Therefore, CCTV is not only cost-effective, but effective in reducing crime in the real world. An initiative in my constituency in west Yorkshire set up a CCTV camera, which cost only a few thousand pounds, and Crimestoppers has stated that the number of arrests and charges has increased by 40% as a result, so its cost-effectiveness has been proved beyond doubt.

As the hon. Lady pointed out, CCTV is a valuable tool not only for the police, but for the courts. It is an invaluable tool on two levels: for convicting the perpetrators of crimes; and for acquitting those who have not committed a crime. CCTV footage provides conclusive and unbiased evidence, void of anyone's spin or mistaken recollection. When viewed by defendants and their solicitors, footage often leads to a change of plea, from not guilty to guilty. That invariably happens in cases in which defendants were drunk or on drugs when they committed an offence and could not recall it. That not only saves the courts time and money, as the hon. Lady suggested, but prevents witnesses having to give evidence in court, which is often a stressful and unpleasant experience. CCTV prevented Richard Whelan's girlfriend from having to testify against his murderer, Anthony Joseph, who brutally stabbed Richard on a bus when he was attempting to defend her. That attack was caught on camera and Joseph, a paranoid schizophrenic, was jailed.

Equally, CCTV can prove that someone has been wrongly accused of committing a crime, as was the case with Edmund Taylor, who was convicted of dangerous driving. His conviction was quashed on appeal, when CCTV footage showed that a white man had committed the offence—Mr Taylor was black. Similarly, Garry Wood was cleared of raping Natalie Jefferson after police studied CCTV footage of his movements on the night of the rape and realised that he had not committed the crime.

I want to touch on the automatic number plate recognition scheme because it was through its use, and that alone, that the murderers of PC Sharon Beshenivsky were caught. Without an ANPR system around Bradford, those people would never have been brought to justice. On 18 November 2005, PC Beshenivsky was shot and killed during a robbery in Bradford. The CCTV network was linked in to an ANPR system and was able to identify the getaway car and track its movements. Because of that system, the police realised that the people responsible were in London, virtually before those people knew it themselves, and six suspects were arrested. At the system's launch in May, Chief Superintendent Geoff Dodd of West Yorkshire police called it

"a revolutionary tool in detecting crime".

Many of my constituents are sick to the back teeth of drivers who do not have insurance, and who not only put other people at risk, but cause them unnecessary expense. Many of my constituents think that it is absolutely fantastic that the police can use ANPR to stop people who drive without insurance, and can confiscate the cars. I would not want anybody to try to stop the police doing that.

I am obviously interested to know what the Minister thinks of CCTV. In 2007, he was calling for more CCTV cameras in his then constituency of Hornchurch. On his website he stated:

"I think CCTV would help to make an important difference in supporting the local police. It will also make clear to those intent

on causing crime in Elm Park that their images will be recorded, increasing the likelihood that they will be identified, prosecuted and punished for their offences."

I could not agree more. I absolutely endorse everything that the Minister said then, and hope that he still feels the same.

Tom Brake (Carshalton and Wallington) (LD): I do not think that in this debate any Member is likely to say that they are not in favour of CCTV, but I do want to see where the boundaries of the hon. Gentleman's enthusiasm for these systems stop. The ANPR system in Birmingham was installed in a predominantly Muslim area, with a view to tracking vehicles coming in to and going out of the area. Does the hon. Gentleman support that? Does his enthusiasm go that far?

Philip Davies: One purpose of this debate was to flush out the fact that people do support CCTV, even though they are always reluctant to say so, and I am therefore grateful to the hon. Gentleman for saying that he now supports it. On his point, surely the solution is to have more CCTV, because if there is more CCTV and more ANPR systems no community can feel that they are being unduly picked on, or picked on to the exclusion of others. If everybody has the systems, nobody can feel that they are treated unfairly. I think that the hon. Gentleman's argument is, therefore, for more rather than fewer of these systems, and I wholly support him in that.

Siobhain McDonagh (Mitcham and Morden) (Lab): Has the hon. Gentleman, or any Member here, ever had a constituent come to their advice surgery asking for less CCTV, or for CCTV systems to be taken away?

Philip Davies: The hon. Lady makes a fantastic point. I certainly have never had anybody in my surgery making such a request—quite the opposite. If I am ever lobbied by any of my constituents regarding CCTV, it is because they want more of it—they would like some of it down their street, for tackling crime.

Of those surveyed for a 2005 Home Office report into public attitudes towards CCTV, 82% either agreed or strongly agreed with the statement, "Overall, the advantages of CCTV outweigh the disadvantages." I do lots of surveys in my constituency, and fear of crime is always the top issue, whatever else is in the news. It seems, therefore, that the public, once again, are streets ahead of politicians in recognising the importance of these crime-fighting capabilities.

Many opponents of CCTV and ANPR use this "civil liberties" argument, but I fail to understand how footage taken by CCTV cameras on a public street invades anyone's privacy. If someone chooses to walk down a street, or go shopping in a town centre, they have made a conscious decision to do so in the public domain and their actions are clearly not private. I could understand the concern if it were proposed that CCTV cameras were put into people's bedrooms or bathrooms, because those are clearly private domains, but the only thing that a public CCTV camera can possibly do is prevent people from committing crime, or from doing something antisocial or something that they should not otherwise be doing. It does not impinge on their freedom to go about their daily, lawful business.

The same civil liberties argument seems to be used against the DNA database, with people claiming that innocents' profiles should be removed. Again, I do not understand for the life of me why forensic laboratories holding somebody's DNA infringes that person's liberty; it does not prevent anybody from going about their daily, lawful business. We all have a national insurance number, which is used for identification purposes, and I am sure that hon. Members know the benefits of national insurance numbers in identifying constituents when corresponding with various parts of the state, for example the Child Support Agency and Revenue and Customs for tax credits. How is a DNA number different from a national insurance number? The use of DNA is heavily restricted by legislation that permits its retention only for purposes related to the prevention or detection of crime.

Mr David Nuttall (Bury North) (Con): My hon. Friend rightly mentions that at birth everyone is issued with a national insurance number. It seems that if a DNA sample was linked to a child's national insurance number when they were registered in the national insurance system, the allegation that the retention of DNA profiles is unfair would be eradicated at a stroke.

Philip Davies: My hon. Friend makes a good point. If he is arguing that we should take people's DNA at birth, I certainly do not disagree with that. I am afraid, however, that we are in the position of trying to persuade the Government not to take people off the DNA system, rather than to add people to it. I would rather try to win the first battle before fighting for more ambitious targets, but I am sure that if anyone can persuade the Government it is my hon. Friend, and I will happily support him in any way that I can.

The use of DNA is highly regulated. During the application for a judicial review of the retention of DNA in the divisional court, the now Lord Justice Leveson stated:

"the material stored says nothing about the physical makeup, characteristics, or life of the person to whom they belong."

The whole reason for introducing the legislation that allowed the retention of data was based on two very serious cases. One was the rape of an elderly woman and the other was a murder. In both cases, the DNA matches of the perpetrators had to be ignored, as prior to the rape and the murder the individuals concerned had been arrested for offences but not convicted. In the murder case, there was even a conviction based on the DNA evidence, but it was quashed by the Court of Appeal, which ruled that the evidence should not have been admitted in the first place. That means that somebody who was clearly a convicted murdered walked free. It was not the first time that had happened, and it will not be the last, if those calling for fewer people to be on the DNA database get their way. I would like to know how on earth that fits with the Government's first duty to protect the public.

If we accept the Government's suggestion of removing the unconvicted people from the DNA database, murderers such as Ronald Castree would be free to roam the streets and to kill again. Castree stabbed 11-year-old Lesley Molseed in 1975, when she was on the way to the shop to buy bread for her mother. Stefan Kiszcko was wrongfully convicted and jailed for 16 years for the

[Philip Davies]

murder, until 2005 when Castree's DNA was taken after he had been arrested, but not charged, over another sexual attack. A cold case of Molseed's murder provided a match with Castree's DNA, which would not have been on the database if the Government and those other people had their way.

Figures from the National Policing Improvement Agency state that, in 2008-09, 32,209 crimes were connected in which a DNA match was available or played a part. The latest annual report on the national DNA database concluded that six in 10 crime-scene profiles loaded to the database were matched to a subject's profile. Many violent criminals have only been jailed because their DNA was taken when they committed a minor offence.

Dennis Fitzgerald was sentenced to eight years in prison for the rape of a woman in November 1987. Nasser Mohammed was jailed in 2008 for raping a woman in 2002, after his DNA was taken when he was picked up for a minor offence. Often, a DNA match is the only thing that brings perpetrators to justice. Harry Musson raped a woman in her own bed while high on horse tranquillisers, and was jailed after 19 years when South Yorkshire police used DNA technology to match his profile to the crime scene. The case was reopened in March 2007, following advances in DNA science. Similarly, Neil Hague was jailed for six years in January 2010 for raping a woman on her way to church in 1987.

I could go on—I have case after case of people who have been convicted simply using DNA matches. I know that the right hon. Member for Don Valley (Caroline Flint) has been prominent with her campaign about anonymity in rape cases, but that, I suggest gently, is to me a sideshow compared with what might happen to rape convictions if we start taking lots of people's DNA off the database.

The statistics can also speak for themselves about the so-called innocent people on the DNA database. In 2008-09, a research project looked at 639 profile matches in murder, manslaughter and rape cases. The results show that 11% of those matches belonged to individuals who did not have a conviction at the time of the match, but whose DNA had been retained on the database. If the law was changed to stop those people being on there, they would not have been brought to justice—we are talking about 70 serious offenders who would still have been out on the streets.

I am interested to know what my ministerial colleague believes. Our right hon. Friend the Member for Arundel and South Downs (Nick Herbert), now the Minister of State, Ministry of Justice, said in a question-and-answer session in 2007:

"We shouldn't forget that the DNA database has enabled the police to solve a huge number of crimes, including very serious ones. I myself would have no objection to my DNA being put on it."

I endorse that—I tried to give my DNA to the local police force in my area, because I am such a keen supporter. However, I was told that I was not able to do so because I was not a suspect or involved in a previous crime. I have written to the Home Secretary to ask why people who volunteer their DNA are being refused the right to put it in the database. I await her reply.

The DNA database can also be used to acquit the innocent. The first murder conviction using DNA evidence, in 1988, proved the innocence of another suspect. Richard Buckland was suspected of separately assaulting and murdering two schoolgirls in 1983 and 1986, but subsequent comparison of his DNA sample with DNA found on the bodies of the two victims proved that he was not the killer. Colin Pitchfork was later arrested, having been one of the 5,000 local villagers who volunteered their DNA after which a match was found.

Another famous case is that of Sean Hodgson, who was wrongly imprisoned for 27 years for the rape and murder of Teresa de Simone in 1979. The police ignored a confession at the time by David Lace, and not until his body was exhumed in 2009 and his DNA cross-checked was he found to be the real killer.

Even if the Government disregard what I think about DNA and CCTV, and disregard what the public think, I hope that they will listen to what the professionals think—those professionals who have to deal with the repercussions of any change in policy.

Keir Starmer, the Director of Public Prosecutions, said:

"DNA sample analysis plays an important part in protecting the public, and in the detection and prosecution of serious crime, as well as enabling the proper exculpation of the innocent."

Interestingly, he also stated that a prosecution would not be brought on the basis of DNA evidence alone, as there must be appropriate supporting evidence. However, he went on to say that

"a suspect's failure to account for the presence of his DNA at the scene of a crime may, in some circumstances, constitute appropriate supporting evidence."

Paul McKeever, chairman of the Police Federation of England and Wales, has given his own DNA. He says:

"The larger the better from a policing perspective."

Sir Hugh Orde, president of the Association of Chief Police Officers said:

"DNA puts a person in a place and then they have to explain that."

Lord Justice Selby, one of England's most experienced Appeal Court judges, told the BBC that he thinks—like my hon. Friend the Member for Bury North (Mr Nuttall)—that the entire UK population and every visitor to Britain should be put on a national DNA database. He thinks that the current system

"means that a great many people who are walking the streets, and whose DNA would show them guilty of crimes, go free."

That seems to accord with the view of the United Arab Emirates, which announced in October 2009 that it will create a national DNA database covering the entire resident population.

We must also be careful making changes to the rules on DNA retention while looking to the Scottish model as the holy grail. First, we are not comparing like with like, as there is a distinctly different judicial system in Scotland. Secondly, the Scottish system for dealing with DNA is not fairer than the UK's at all. The DNA of adults arrested or charged but not convicted of violent or sexual offences can be held for an initial three-year period—an important point, because if a sheriff believes that there are reasons for keeping such data beyond the three-year period, he can extend it for an additional two years, and so on.

In the cases of the most serious crimes, it could be many years before a further offence is committed by someone cleared or not charged with an earlier criminal

act. That concerns me greatly—the proposals to destroy what could be potentially crucial information need to be carefully considered before people who have committed a crime are let off.

Caroline Flint (Don Valley) (Lab): The hon. Gentleman is making an excellent speech. Would he agree with my right hon. Friend the Member for Kingston upon Hull West and Hessle (Alan Johnson), the former Home Secretary, that before we rush into any hasty decisions, it is at least worth retaining the DNA database until 2012, when for the first time we will have six years of statistics? That would be wise, considering that the Scottish police say that they would rather have our system than their current one.

Philip Davies: I agree with the right hon. Lady; she is absolutely right.

There is always the risk that, the day after any cut-off point, someone could, for example, go out and commit a murder. In that instance, such a person's previous DNA would not be available to the police so that they could detect the crime and prevent further murders, because it would have been destroyed in the name of civil liberties. I hope that my hon. Friend the Minister will consider that carefully before coming up with any reduced time scales for the retention of data, as it is Ministers who will have to live with the consequences of their actions further down the line.

In the fight against crime, effective technology such as DNA and CCTV should be encouraged, not discouraged. Those methods can hugely speed up police detection of crime, which could mean the difference between life and death for someone else. It really is that serious, which is why I am so determined to fight any proposals to restrict the use of those technologies in the name of so-called civil liberties.

Tom Brake: I thank the hon. Gentleman for giving way again—he is very generous.

Is his position the same as that argued by his hon. Friend sitting next to him, the hon. Member for Bury North, that the DNA database should be extended to include everyone?

Philip Davies: I think I dealt with that in an earlier intervention. If my hon. Friend the Member for Bury North was proposing taking people's DNA at birth, I would agree. However, that is a battle for further down the line. What I am worried about at the moment is that we are removing from the database a limited number of people's DNA. We have not yet reached the issue of whether to extend the database—I wish we were and that that was the nature of the debate we are having today.

I am trying to stop the Government from making the stupid mistake of removing people from the DNA database. That is why I am so determined to fight the proposals to restrict the use of such technologies in the name of so-called civil liberties. Organisations such as Liberty are not really arguing for civil liberties but for anarchy, which cannot be right. I am sure that they would prefer it if no one was arrested for anything, but I am afraid that in the real world that is not what we are here to do.

All our liberties are at stake—our liberty to walk down the street safely is at stake. Again quoting the Minister of State, Ministry of Justice, my right hon. Friend the Member for Arundel and South Downs, I totally agree with what he said in a speech last week:

"crime can never be too low; our streets can never be too safe and there can never be excuses for inaction."

Unfortunately, the Government give the impression that they do not believe in CCTV or DNA. They may not go as far as I would, but I hope that this debate will at least give the Minister the opportunity to make it clear to the House and to the police that he supports the use of CCTV, DNA and automatic number plate recognition as essential tools in fighting crime that keep us safe, enhancing our freedoms, not diminishing them.

11.30 am

Caroline Flint (Don Valley) (Lab): It is a pleasure to contribute to this debate, and I congratulate the hon. Member for Shipley (Philip Davies) on securing it. This is the second time in a week that we have appeared together on the same side, so we are in strange times in terms of alliances. What unites us today is the argument about the balance between respecting individual freedoms and liberties and recognising that the people we represent want the freedom to live and work safely in their communities, free from crime as much as possible.

We all know that crime has gone down, but the reality is that often people's perception is that it has not. We politicians in the previous Government tackled that and tried to do so further. I am sure that the present Government will find that they face the same problem. CCTV has contributed to people's sense of personal safety. In Doncaster, CCTV cameras at the taxi cab ranks in the town centre have undoubtedly helped to solve crimes. I know of one case where some young men waiting in a queue for a taxi were attacked by some other young men. Before the victims had rung the police to inform them of the attack, the police had already seen it on camera and, by tracking the offenders by camera through Doncaster, they picked up the culprits before the victims got to the police station. That is a good example, showing how effectively CCTV can work.

CCTV has also been a tool in respect of antisocial behaviour. I was pleased that we in the previous Government had started to talk more about how communities could have more say in where cameras would be positioned. Undoubtedly, mobile CCTV units have been effective when placed in hotspots for antisocial behaviour that may lead to crime.

Today we should be talking not about restrictions, but about how we can improve the quality of the technology that is available. Let me tell an anecdote. Before I was a Member of Parliament, my husband and I were involved in helping stop an armed bank robbery in a local bank on a Saturday. Unfortunately for us, as part of the solution in solving that crime, it was the early days of CCTV and the Saturday staff who came in from another branch forgot to turn on the camera inside the bank. We have moved on a long way since then. It is important to ensure that the equipment is of the highest quality.

The hon. Gentleman cited a number of important cases. I should like to mention that CCTV was used in pursuing Steven Wright, who was responsible for the

[Caroline Flint]

murder of five women in Ipswich. As I have said, CCTV is also used in multiple cases of drunk and disorderly behaviour, antisocial behaviour, graffiti and vandalism. I appreciate the points that have been made by hon. Members about other organisations, including local authorities. Again, I agree with the hon. Gentleman. I do not advocate putting cameras into people's refuse bins. But when tackling fraud, for example, CCTV cameras can be useful, whether they are used by the Department for Work and Pensions or the local authority, where people say one thing about their inability to work, although the reality, which is caught on camera, is that they are working at or are seen leaving local sites regularly each day. Unfortunately, we do not live in an ideal world with enough police officers and benefit fraud inspectors out there on every street—and I do not think that that would be a good use either of public money or their time.

It is vital that we equip the police with the technology that they need. I am proud, as a former Home Office Minister, to have been in charge of this area of work. Automatic number plate recognition is a fantastic tool. I recommend that all right hon. and hon. Members sit in a police car and see how it works, connecting up to the cameras. It is amazing. Undoubtedly, despite police complaints about bureaucracy, they welcome that technology wholeheartedly, as do the people that they work with in the community.

We have to ensure that CCTV can be used and that it is not stopped. It needs to be made more effective. I am pleased that under the previous Government an interim CCTV regulator was appointed to look at that. I hope that in all the rhetoric that is used we do not lose sight of the important job that CCTV does.

It has been suggested that we should reduce the amount of time that DNA is retained in the database. By 2012 we will have six years' worth of statistics. I urge the Minister to be cautious about doing anything to destabilise that information, which can then be looked at, allowing us to make a more considered choice. This is a good example of devolution politics. Although there is a three-year limit in Scotland, with a caveat on its being extended, we need to be clear about what we are talking about. Despite the three-year headline, in Scotland they are still mindful that the period for which information is kept might want to be extended. I understand that the Scottish police would like a system that is more like the one in England. Why not have something more like English policy once in a while?

The DNA database has been transforming. It has been used, for example, in south Yorkshire to resolve a case involving rape some decades old. The culprit was found because his sister was picked up years later on a drink driving charge. Her DNA was taken and matched in the system, making a connection with her brother, who had been responsible for a huge number of rapes many years ago. Without doubt, the DNA database has contributed to solving thousands of crimes.

Between March 1998 and March 2009, DNA evidence helped solve more than 304,000 crimes. In 2008-09, there were 252 homicides and 580 rapes with a DNA scene-subject match. It is also important to recognise that DNA also picks up people who have not been convicted of a former crime. In 2008-09, 79 rape, murder or manslaughter charges in England and Wales were matched to the DNA database from DNA profiles that belonged to individuals who had been arrested but not convicted of any crime. The evidence shows—this is not easy to come to terms with—that there is a justification for retaining the DNA of people who have been arrested but not convicted because their risk of offending, as measured by the risk of re-arrest, is higher than that of the general population. This risk is higher than the general population for six years following the first arrest, at which point their DNA would be removed.

We should also not forget the potential deterrent effect of DNA. People are less likely to commit crime if they know that there is a good chance they could get caught. There are many ways of deterring people from committing crime. We can look at our neighbourhoods and create designs to make them safer, but we should embrace and deal with technology and not be luddite about it. If people know that DNA can play a significant role in securing convictions, they will be less likely to commit crime in the first place.

The head of the National Policing Improvement Agency, which hosts the DNA database, has said that it has been the

"most effective tool for the prevention and detection of crime since the development of fingerprint analysis more than a century ago."

As the hon. Gentleman said, DNA does not only find those who are guilty; it can ensure that those who were thought to be guilty, or who were sent to jail as a result of a court conviction, can be proved innocent. I urge the Minister to be cautious in proceeding in this area in a way that could undermine some tools that are effective in fighting crime in the 21st century.

Mr Christopher Chope (in the Chair): Order. Before calling the next speaker, can I say that it would be sensible to have the wind-ups starting at 10 minutes past 12 to allow more time for Back-Bench participation?

11.38 am

Mike Crockart (Edinburgh West) (LD): I, too, congratulate the hon. Member for Shipley (Philip Davies) on securing this debate on an important subject. For me, the title of the debate is important because it specifies tackling crime by effectively dealing with either the prevention or detection of crime. In this way, it mimics the most basic aspects of my police training 20 years ago, where I was taught the function of a police officer, which is fourfold: to protect life and property; to preserve law and order; to prevent and detect crime; and to prosecute offenders. We judge the effectiveness of policing against those four aims, and, equally, as tools used as an aid to those aims, we should judge DNA and CCTV against them. We all agree that more rapists, muggers and murderers should be in prison, but we have to be clear about whether a DNA database or CCTV will achieve that.

DNA is undoubtedly an effective tool in detecting offenders. In 2008-09, DNA evidence helped to clear up 1,700 serious crimes. However, when looking at broad figures such as those, we should remember that in many cases the DNA evidence might not have been the only evidence or the decisive evidence. In my time in the police, I spent two years as a scenes of crime officer and attended many murder scenes, and murders are by far

the best example. Most murders are committed in the heat of an argument by friends and family members, and, after the fact, no attempt is made to conceal the crime or to evade detection. DNA swabs would be taken as a matter of course and form part of the evidentiary process, but, in real terms, they would add very little.

We need to be careful about seeing DNA evidence as some sort of scientific knight in shining armour for serious crimes. It is still too expensive to be used in all but the most serious crimes, and fingerprints will still be left at many more crime scenes and are identified far more cheaply. Whether we have the correct legislative balance between DNA's effectiveness in crime detection and an individual's right to privacy is an important question. The European Court of Human Rights does not think we do. It described existing English and Welsh legislation as "blanket and indiscriminate", but noted the consistency of the Scottish approach. The problem is the blurring of the line between innocence and guilt.

The national DNA database is the biggest DNA database in the world, with 5.6 million people on it, but 1 million of those have not convicted of any crime. Despite the growing database, its effectiveness is declining year on year. Its costs doubled between 2006-07 and 2008-09 to £4.2 million, but detections fell by a quarter, and we must examine why. It is because we are getting closer to the point at which the database captures our criminal fraternity. It is the law of diminishing returns; as we capture the criminal profiles of fewer and fewer new convicted criminals, we are instead trawling our way through more and more innocent suspects. The focus needs to change, and we must ensure that anyone convicted of a crime is on the database; they have forgone their right to privacy, but the innocent have not.

CCTV is a far more difficult subject. Many people like CCTV, because it makes them feel safe and secure, but it is a comfort blanket. Surely, something that costs the Government hundreds of millions of pounds should be judged on its effectiveness. There is nothing in police legislation, which mandates the police to deal with the fear of crime. The right hon. Member for Don Valley (Caroline Flint) mentioned a politician's need to deal with fear of crime, which we must do, but if we mandated the police to deal with it, how would it be measured? How would we measure DNA and CCTV's usefulness in dealing with it? In examining their effectiveness, we must ask, do they prevent crime? Some crime, in some areas, possibly, though whether it is prevention or displacement is arguable.

In city centres, where alcohol is involved in the commission of many crimes, as mentioned earlier, CCTV has little effect in crime prevention. Even in the examples of crime falling, the extra lighting, fencing and security guards, which come with many CCTV installations, might be the active element in preventing crime. Interestingly, the public believing that cameras are effective can have two adverse effects: first, people may become careless, having been given a false sense of security by the presence of cameras, which makes the commission of crime easier; and, secondly, people believe that someone is watching the footage in real time, which allows them to abrogate responsibility for becoming involved upon seeing a crime being committed. CCTV can work against creating the involved responsible society we need.

Do DNA and CCTV help to detect crime? Possibly, in some circumstances. It is important to be clear about the purpose for which a camera is introduced. If it is for number plate recognition in a car park, to detect stolen cars or cars with no tax, and that information is acted upon immediately, then it is effective. If it is city centre CCTV being watched in real time and acted upon, as in the example mentioned, then it can be effective. However, we should be clear that a tiny fraction of the 4.2 million CCTV cameras across the country fall into that category, and that is the issue. We have allowed the unrestrained proliferation of CCTV over the UK. We have reached the point where Shetland has more cameras than San Francisco, and Scotland, as a whole, has 10 times the number of cameras as Johannesburg, with a population of 4 million. In London, only one crime a year is solved for every 1,000 cameras. The hon. Member for Shipley mentioned the age of austerity as an argument for CCTV; I am sorry, but the numbers do not stack up. The time for regulation of CCTV is definitely here, not only to ensure that those systems that effectively help in the detection and prosecution of crime can continue, but to ensure that those systems that do not contribute to the fight are overhauled.

11.47 am

Siobhain McDonagh (Mitcham and Morden) (Lab): In essence, the debate is about what we mean by "freedom" and whose freedom. The body snatchers have taken the Conservative party and turned it into a libertarian party in which the rights of the individual are supreme over those of the community. The safety of the community gives many people their freedom. For an elderly lady who wants to cash her pension at the post office or a woman who works shifts and goes home at night from the tube station, a CCTV camera can provide freedom. For someone who can drive or has someone who will drive for them, and has a secure home in an area where there is little or no crime, these things mean nothing, but, for most of our constituents for most of the time, these things give them freedom. Not only freedom from actual crime, but freedom from the fear of crime, allowing them to use their lives to the best of their abilities, go to work and enjoy a social life, without which their lives, and our lives, would be sad and miserable.

At certain point, the media always appear to go one way, and those who are regarded as part of the intellectual class move away from our constituents. In my experience over the past 13 years, our constituents are the ones who generally get it right, such as on tackling anti-social behaviour, as the former Prime Minister, Tony Blair, was brave enough to do when he was ridiculed by the media. Now, our responsibility as MPs—representatives of our constituents—is to say no to the Government and no to those forces who see this as an arithmetical argument. It is an argument about an individual's safety and the detection of crime, and things that allow us to lead our lives as we see fit. Not only us, but the people who are the biggest victims of crime in town centres—young black men. They are often the people used to oppose CCTV and the DNA database, but they will tell us that those tools provide them with safety and security.

We must be suspicious of the things that we read and of the great causes often presented by individual newspaper columnists who do not see life as we or our constituents see it. Our constituents are the people to whom we should give first prominence.

11.49 am

Margot James (Stourbridge) (Con): I congratulate my hon. Friend the Member for Shipley (Philip Davies) on securing this debate and on his courageous opening speech. For my constituents, crime and antisocial behaviour are consistently among the top three issues in all the surveys that I have done. There are persistent problem areas that would be ameliorated by the greater use of CCTV—I do not argue for the unregulated use of CCTV, but for its greater use.

In Stourbridge town centre we have good CCTV coverage and, like the right hon. Member for Don Valley (Caroline Flint), I have been out with the local police force and seen the cameras in action. I have visited the viewing facilities, and it is an effective tool, but it covers only a small proportion of my constituency. The remainder of my constituency is covered by one single "Sherpa" camera, about which I will say a little more later, because there are some lessons to be learned from that. Technology is a vital tool in policing, and I am concerned that we should not go down the road of regulating it so that it becomes a problem for the police to deploy it. I am sure that that is not the Government's intention.

We have heard a little about the image of CCTV from the hon. Member for Edinburgh West (Mike Crockart). There are arguments that CCTV is not effective, that half the time there is no film in it, that nobody—including the police—is watching it, or that the quality of the film and the resolution are not adequate to provide decent photographs that might aid a prosecution. However, those arguments are not against the deployment of CCTV but rather against the deployment of ineffective CCTV, which is not something that we ask for or promote. Of course, CCTV alone cannot solve crimes, but it is a fundamental part of the armamentarium held by the police in their battle against crime on behalf of society. The hon. Member for Edinburgh West also mentioned displacement, but one cannot have it both ways. One cannot argue that CCTV causes the displacement of crime at the same time as arguing that CCTV is not effective against crime. That does not seem to stack up.

Liberty and privacy are important, and I am hopeful that whatever regulation the Government have in mind, they will attend to those important issues without deterring the use of CCTV for rightful matters. We have heard a few quotes from my right hon. Friend the Member for Arundel and South Downs (Nick Herbert), the Minister responsible for the police, and I am encouraged to report another statement in which he said that our liberty is protected by ensuring that people can live safely. That is the point about liberty as far as I and the vast majority of my constituents are concerned. If we are to have more—or different—regulation, we need a system that is proportionate and facilitates proper usage, and that recognises the important role of CCTV when it is of decent quality and integrated with other policing methods.

I would like to speak briefly about the effectiveness of that tool within the overall armamentarium that the police have at their disposal as used in the Safer Leeds initiative, a crime and disorder partnership that operates in Leeds between the local authority and the police. The CCTV element is known as Leedswatch, and it is a powerful weapon against crime, according to the police and local authority members in that part of the world. The chief of police is quoted as stating:

"The CCTV cameras play a key role in the prevention and detection of crime and the recorded images provide vital evidence to law enforcement agencies to assist in the apprehension and prosecution offenders."

I want to draw attention to the point about apprehension and prosecution, because sometimes CCTV is defended too much for its use in crime prevention, and not enough for its benefits in the detection of crime and in improving the rate of prosecution. The quality of some of the camera footage and the ability to zoom in and get close-ups can help with the identification of individuals, or rule people out of prosecution who might otherwise have been deemed to have been involved in a crime.

The identification of people who have committed a criminal act addresses one of the key public concerns about the criminal justice system in this country, namely that all too often, people assume that they can get away with crime. I am afraid that in large parts of my constituency, they can and they do because, as my hon. Friend the Member for Shipley maintains, the police cannot be on every street corner. There are vast swathes where antisocial behaviour is prevalent, and there is no real means of building up a decent evidence base to deal with the perpetrators and return to law-abiding people the right to a decent quality of life.

I have a few statistics from the Leedswatch initiative. The Leeds police installed 14 cameras in what was effectively a no-go area in east Leeds. Within 18 months, crime had come down by 48% and the number of burglaries had fallen by 65%. I do not argue that that was solely due to CCTV, but the Leedswatch management stated quite clearly that the introduction of CCTV was pivotal to that improvement. While doing my research, I noted that during one week in June this year, CCTV coverage in Leeds led to 57 arrests. Such statistics demonstrate the value that CCTV can provide, and we cannot afford to ignore that when our constituents' fear of crime is very real.

When the Minister considers how best to regulate CCTV in future, I would commend to him the Leedswatch code of practice, which runs to 30 pages, and covers all the important issues concerning who accesses the photographs, the public's human rights, data protection, how the system is operated, on what basis the photo footage is disclosed and so on. The Government will probably find everything that they need to know about how best to regulate CCTV nationally from observing the code of practice in Leeds.

I mentioned the sole roving camera that we have at our disposal in my constituency to cover areas outside the town centre. The regulations covering the use of that camera are stringent. Before putting the camera up, the police must demonstrate that they have deployed extensive preventive measures and that those measures have failed. They can erect the camera for only 72 hours before taking it down. I could go on, but my point is that the system is already pretty well regulated. I hope that the Government will look at existing codes of regulation around the country and develop a sensible system that protects the liberty not only of those who are concerned about privacy, but of the vast majority of people who are concerned about crime and who, I believe, are far better protected by the use of CCTV within the overall mix than they are by any fear of regulating it so that it becomes more difficult to deploy.

Several hon. Members *rose—*

Mr Christopher Chope (in the Chair): Order. There are four hon. Members still trying to catch my eye and 12 minutes to go before the winding-up speeches. I call Mr Keith Vaz.

11.59 am

Keith Vaz (Leicester East) (Lab): It is a pleasure to follow the hon. Member for Stourbridge (Margot James), with her very informative speech, and to serve under you, Mr Chope, for the first time. I was about to describe the hon. Member for Shipley (Philip Davies) as the Shami Chakrabarti of the Conservative party until he described Liberty as an anarchist organisation, so I shall have to refrain and instead describe him as a kind of male Boadicea from Yorkshire, on his chariot fighting for the civil liberties of this country.

I think that there is no disagreement among Members of the House that we need both DNA on a database and CCTV as tools in our fight against crime. I would be amazed if any hon. Member said that we should stop using either of those two very important techniques in trying to detect crime. The division will be over the extent to which we use DNA and a DNA database and cameras to detect crime.

It would be churlish of me not to welcome what the Government propose, because it is fully in line with two reports by the Select Committee on Home Affairs in the previous Parliament. Both were unanimous and both called for changes to be made. To be fair to the former police Minister, my right hon. Friend the Member for Delyn (Mr Hanson), we had the Government moving in the right direction, at least as regards the DNA database.

We have the largest DNA database in the world; 15,000 profiles are added every week. It is much larger than that of any other country in Europe, given the new information put on it on a daily basis. I shall explain the problem for the Select Committee and, I think, for other Members of the House. I am sure that the hon. Member for Shipley has discussed this with his hon. Friend the Member for Chelsea and Fulham (Greg Hands). Quite innocently, he was asked to provide DNA to the police for an inquiry, and he waited for months and months to get information about whether the police had that DNA on their database. The issue for members of the Committee and Members of the House was very much one of process. I think that if the process of getting information from the police was a little better, we would not now be talking about trying to control the very large number of names on the database.

My hon. Friend the Member for Mitcham and Morden (Siobhain McDonagh), for whom I have huge respect, mentioned the black community and their willingness to be protected by the taking of DNA, but she will know that 75% of young black men are on the DNA database. It disproportionately takes DNA from young black people, so there are lots of faults with the current system. I think that all the Government are seeking to do—obviously, it is for the Minister, not me, to make the Government's case—is control it and to allow innocent people to have the opportunity, if they choose to do so, to apply to one organisation and receive a reply about whether their DNA is on the database.

[Mr David Amess *in the Chair*]

If we examine the process, the issue of whether the database should be extended can be dealt with, but I think that if people are innocent and are caught in a situation in which they have absolutely nothing to do with a crime, their DNA should not be on the database. The former Government moved significantly, from 12 years to six, and I hope that the present Government will carefully examine the process as well as the principle of what is proposed.

I understand that there are 4.2 million CCTV cameras. Someone can be caught on average 300 times a day on a CCTV camera. I had no idea that we had more in Orkney than in San Francisco per head of population, but those are very important statistics. We are not saying and the Select Committee, in its unanimous report, did not say, "Stop using CCTV cameras," simply because every time that I go back to my constituency, local residents are calling for more cameras.

Philip Davies: I do not want to interrupt the right hon. Gentleman's flow, but I want to make the point that the figure of 4.5 million CCTV cameras is derived by Professor Clive Norris for the EU-funded Urbaneye project. It counts the number of cameras in Putney high street and extrapolates that figure across London and then the UK. There are nowhere near 4.5 million CCTV cameras. According to the people who actually use the system, the figure is much nearer 1.5 million.

Keith Vaz: I am most grateful to the hon. Gentleman—I knew there would be an EU dimension to this debate somewhere. However, we have reached the stage at which we have too many cameras in the wrong places. As the hon. Member for Stourbridge said, we need more in different areas; they need to be fit for purpose; we need to know what their use is. That is why the Select Committee suggested that we have not reached the stage of being a surveillance society, but we are almost there, so let us stop and pause, which is precisely what the Government are doing in adopting the recommendations of the Select Committee, and examine the current situation. We also proposed that we should ensure that once a year the Information Commissioner lays a report before Parliament on this issue and that we have a proper debate, not in Westminster Hall but on the Floor of the House, where many more hon. Members can participate on these two very important subjects.

The hon. Member for Shipley and other hon. Members have quoted police officers and others in support of their arguments. The hon. Member for Edinburgh West (Mike Crockart) served as a police officer for eight years in Lothian and the Borders, so he comes to the House with huge experience on this issue. However, we do not always accept everything that the police have to say. They are very useful in providing us with information. The only time that the Select Committee divided in the previous Parliament was over the 42 days issue. That was the only time we had a vote, and that was because powerful evidence was given by the Metropolitan Police Commissioner. We take such information, and obviously we have huge respect for those who implement these decisions, but at the end of the day, it is our judgment as politicians.

[Keith Vaz]

I shall just put one more expert into the pot, for the purposes of the discussion. I am referring to the views of Sir Alec Jeffreys, the man who discovered DNA profiling and who, in evidence to the Select Committee, said that he thought that it had gone too far or at least Governments had gone too far in extending and expanding the database. He suggested that there was a limit. We understand why DNA should be kept on the database if people are convicted, if they are charged, but if they are innocent, a time limit should be the order of the day. If not, they should have the ability to ask at least whether their DNA is being retained on the database.

Several hon. Members *rose—*

Mr David Amess (in the Chair): Order. Winding-up speeches begin at 12.10 pm. Three hon. Members wish to speak. I believe that it will be a minute and a bit for each of them. I call Andrew Percy.

12.7 pm

Andrew Percy (Brigg and Goole) (Con): I will obviously now cut what I intended to say. I generally agree with pretty much everything that my hon. Friend the Member for Shipley (Philip Davies) had to say, particularly on European matters, on which he has some very sensible views indeed. However, I depart from him a little when it comes to the DNA database.

I shall deal with CCTV quickly. Like every hon. Member who has spoken, I am generally a supporter of it, but I represent a largely rural constituency and there are huge issues associated with the coverage of CCTV cameras in rural areas, the funding streams and the way in which CCTV cameras have generally developed through the crime and safety partnerships in the past few years. We cannot argue simplistically that because we have had CCTV, crime has fallen, because recorded crime has fallen—we might well have a debate about whether crime has fallen—both in areas where there is CCTV and in areas where there is not.

I do not accept what I think was the argument of the hon. Member for Mitcham and Morden (Siobhain McDonagh), which was that if we can generally justify the ends, the means do not particularly matter. That is a somewhat utilitarian approach and not one I would wish to find myself on the side of.

There is an issue regarding the retention of DNA profiles for children, which I shall comment on in a moment, but no one would underestimate the value of DNA evidence in solving crimes. I would not wish to do that at all. It exists, it will continue to develop and I support its continued use. However, if we followed to its logical conclusion what some hon. Members have said, we would end up with everyone being microchipped at birth, because the technology is almost there for that, and everyone would be followed no matter where they went throughout the day. Consequently, everyone's actions would be entirely visible for everyone else to see. The argument is that as long as we are not doing anything wrong, why would we worry about that? That is the logical conclusion. If people want to pursue that argument and defend the notion that we should take everyone's DNA profile at birth, that is fine—it is at least logical and consistent. However, the situation now is that we have innocent people, convicted criminals and people in between—people who are innocent, but who are not really innocent, because it will be argued, as we have heard it argued today, that there is a good chance they will commit a crime. However, people are either innocent or they are not.

As we have so little time, let me turn to the issue of children. There are 24,000 innocent children on the DNA database, and I would not want that to become a self-fulfilling prophecy for them. In one case in Hull recently, a 15-year-old boy who was completely innocent ended up on the DNA database through no fault of his own. Those of us on the city council at the time had to shout, scream and bang on the door of Humberside police to get that child off the database and to extract an apology from them. Everything in moderation.

12.10 pm

Mr Alan Campbell (Tynemouth) (Lab): It is a pleasure to serve under your chairmanship, Mr Amess. I congratulate the hon. Member for Shipley (Philip Davies) on securing the debate. It was a pleasure to listen to his argument, although we will have to wait to see whether the Minister shared that pleasure. At times, it felt a bit like we were witnessing a domestic dispute, although I am not sure whether it was about body-snatching or political cross-dressing. We are used to Lib Dem supporters complaining that they voted Lib Dem and woke up to a Tory Government and cuts, but we now have Tory supporters who voted Tory only to find that they have a Liberal Democrat law and order policy, if that is not a contradiction in terms. More seriously, however, the hon. Member for Shipley questioned whether the Government have forgotten their first duty—the protection of their citizens.

Let me deal first with the DNA database. The previous Government responded to the S and Marper judgment in a balanced and proportionate way. The police told us that the database provided them with about 3,300 DNA matches a month and that it was a key instrument in bringing people to justice. However, we also understood the need to uphold the right to privacy, which is why we proposed a balanced and proportionate system of retaining DNA for six years. After that time, the evidence shows that the risk of offending levels out to match that for the rest of the population. There was strong argument over the issue on two successive Bills in the previous Session, and although the then Opposition—now the Government—allowed the second of those Bills to proceed in the wash-up, we are now told that Ministers intend to press on with the Scottish model, under which DNA would be held for only three years, without evidence that that would be in the public interest.

I therefore want the Minister to answer the following questions. What discussions has he had since the election with Chris Sims, the chief constable of West Midlands police and the Association of Chief Police Officers lead on DNA, who said:

> "There are 40,000 crimes matched every year; it is helping us to keep safe. Reducing the numbers on the database will tip the balance towards making people less safe"?

What discussions has he had with Sir Hugh Orde, who said in his evidence to the Home Affairs Committee inquiry on DNA that anything that takes intelligence away from the police service can make our lives more

difficult? What discussions has he had with the Scottish police, most of whom favour the English rather than the Scottish model?

Has the Minister spoken to Baroness Stern, the author of the recent report on rape, about the role that DNA might play in deterring stranger rape? Has he met Sara Payne, the victims' champion, to discuss his proposals? She said:

"I am pleased with the Government's"—

the Labour Government's—

"new proposals as I believe they strike the right balance between individual liberties and the ability of the police to apprehend offenders and bring them to justice."

She went on to say that the DNA database has allowed many criminals to be brought to justice, especially those committing violent or sexual crimes.

Given that the ACPO criminal records office has said that 10% of DNA matches in murder, manslaughter and rape cases come from individuals who do not have a conviction at the time, but whose DNA has been retained on the database, what estimates have the Government made of the number of serious crimes that may not be solved if the Scottish model is adopted in England?

I now want to say something about CCTV. Designing out crime has a big role to play in reducing crime, and it has proven its worth in relation to vehicle crime. The Design Alliance brought young people to the Home Office some months ago and asked them what made them safer in their schools and communities, and their answers were very revealing. The first thing they asked for was better lighting and the second was CCTV. They wanted to feel safe even if cameras were watching. We should remember that young people are more likely to be the victims of crime than the perpetrators, as we have heard this morning.

What discussions has the Minister had about CCTV? Has he discussed it with Sir Hugh Orde, who said that CCTV is not something that the public continually air concerns to him or many of his chief officers about? Has the Minister had discussions with Commander Simon Foy, the head of homicide at Scotland Yard, whom the hon. Member for Shipley quoted? Commander Foy talked about the importance of CCTV in catching people who commit murder. Has the Minister had discussions with Members of Parliament, most, if not all, of whom have probably campaigned with constituents for more CCTV? Will he come to Victoria terrace in my constituency to talk to residents, who believe that CCTV will be of enormous help in coping with the fallout from the nearby evening economy?

If the Minister remains unconvinced, let me return to the person to whom most of those who have spoken have returned—the Minister of State, Ministry of Justice, the right hon. Member for Arundel and South Downs (Nick Herbert), who is the current Minister for Police. He wrote in the *West Sussex County Times*:

"Some people object to this proliferation, but I don't. I agree that there is no substitute for police officers on our streets, but cameras help to make neighbourhoods safer and solve crimes...to those who claim that this all heralds a Big Brother society, I say, why should innocent people worry that someone is watching out for their safety?"

CCTV protects the most vulnerable, often in high-crime areas where people just want to be able to walk home alone at night, as the hon. Member for Shipley said. These people cannot afford the expensive security systems that Ministers enjoy in their homes and workplaces.

We are told that the freedom Bill might roll back CCTV because of the threat to civil liberties. We are also told that the public, who I believe support CCTV, can nominate regulations to be scrapped in the Bill. If the public call for more CCTV and less regulation of it, will the Government accept that view and act on it in the Bill?

Crime is down by a third, whether we look at the *British crime survey* or the recorded crime figures. The previous Government were the first since the second world war to leave office with crime lower than when they came in, although we now have the unedifying spectacle of the Home Secretary looking for a counting system that will allow her to disprove that record. However, part of the reason why crime is down is that we had more police officers, who had more access to new technologies, including DNA profiles and CCTV. It now seems that budgets will be cut by between 25% and 40%, and the Government might want to limit DNA profiling and CCTV. It is one thing for any Government to risk their reputation on crime, but it is much more dangerous to put the safety of citizens and communities at risk.

12.18 pm

The Parliamentary Under-Secretary of State for the Home Department (James Brokenshire): I welcome you to the Chair, Mr Amess. It is a pleasure to serve under your chairmanship. I congratulate my hon. Friend the Member for Shipley (Philip Davies) on securing the debate and on raising a number of important issues. I noted the initial comments of the right hon. Member for Leicester East (Keith Vaz), and it is interesting to see the coalitions that can sometimes form during a debate. I do not know whether it includes the right hon. Member for Don Valley (Caroline Flint), but a coalition has certainly been created in this debate.

Perhaps I can reassure my hon. Friend the Member for Shipley and other hon. Members by saying that I absolutely agree with what they said about the importance of DNA and CCTV in tackling crime. My hon. Friend referred to comments that I made, not necessarily in a previous life, but in a previous seat. I certainly believe in the importance of CCTV, which can be harnessed in such a way as to protect our communities.

In many ways—to take the point made by the right hon. Member for Don Valley about many people's perception or fear of crime within their community—CCTV can be an important tool for that if it is used effectively with the appropriate framework and public support. That point was made by my hon. Friend the Member for Stourbridge (Margot James). I do not want to give the impression that the Government are fundamentally opposed in some way to CCTV cameras. They have an important role in supporting communities and aiding the police in their work.

Andrew Percy: Will the Minister give way?

James Brokenshire: I should like to make some progress; I need to reply to several speeches, and I might need to take an intervention from an hon. Member who did not get called to speak.

[James Brokenshire]

The interesting and perhaps central point in the debate is the balance between the right of the public to be protected from crime and the right of individuals to live their lives without unnecessary state intrusion. That has been at the forefront of many of the speeches this morning. It has been interesting, and there have been some important contributions. I hear what my hon. Friend the Member for Shipley said about drawing a distinction between certain freedoms, which he articulated with reference to ID cards, which he sees as an intrusion, as against CCTV surveillance or the retention of DNA profiles, which he did not see as an intrusion in the same way. Clearly, not everyone shares that view, as we have seen in connection with developments in Birmingham; indeed, many cases from constituency postbags, to do with DNA profiles, for example, show that the issue is considered significant for the way the state may perceive individuals who have done no wrong. That private life interest is involved in the balance.

There have been comments about the role of the police. We have certainly discussed issues with ACPO and other police representatives and shall continue to do so as we progress with and publish our detailed proposals, so that the House can give them proper consideration. I am sure that we are only at the start of discussion of those important issues, which is why I welcome the speeches that have been made, albeit that, while it is a pleasure to continue in debate with the hon. Member for Tynemouth (Mr Campbell), he and I have probably debated the issues six or seven times in the past couple of years and I am reconciled to our not reaching complete agreement. We do, however, find agreement in the importance we place on public safety and the need for checks and balances on the retention of DNA. Although I may the other day have made a pejorative suggestion about the hon. Gentleman supporting the indefinite retention of DNA, I recognise that at the time in question that was not his position: there was recognition of a need for some restrictions on the retention period and related matters. We may not be wholly on the same page, but I recognise that there is at least some agreement about some issues.

Keith Vaz: Does the Minister accept the recommendation of the Select Committee that there should be an annual debate on the issue in Parliament, with a report presented to Parliament by the Information Commissioner?

James Brokenshire: I very much welcome the contribution made by the Home Affairs Committee on the issues of CCTV and DNA retention. I made sure that I had a copy of at least one of those reports before coming to today's debate. We shall certainly reflect on a range of issues about CCTV as we proceed with the framework for regulation, and I shall consider the recommendations in the Committee's report. Other codes of practice have been referred to and the right hon. Member for Leicester East mentioned the Information Commissioner, whose office has published a CCTV code of practice. That is important in informing the debate, as are the findings and feedback that we receive from the interim CCTV regulator, which as the right hon. Member for Don Valley pointed out was set up under the previous Government. We await the regulator's recommendations and feedback and will reflect upon it closely in relation to how we may proceed.

Emma Reynolds: Have the Minister or the Government made any assessment of the cost to businesses of increasing regulation of CCTV cameras? Many businesses in Wolverhampton North East use them to prevent and tackle business crime, which is still a massive issue.

James Brokenshire: The hon. Lady makes an important point about the nature of regulation. We are considering its ambit and scope in relation to public versus private areas, and publicly-owned versus privately-owned CCTV. Of course we are conscious of the regulatory burden and the possible regulatory impact. That will be a factor that we shall consider—and are considering—as part of the regulatory framework we shall bring to the House, so that there can be further debate.

Perhaps I should return to the central issue of the debate and the balance between the public's right to be protected from crime and individuals' right to live their lives without undue interference. I do not see that there is necessarily a conflict between the two. We are rightly proud in this country of our tradition of policing by consent. Securing the trust and confidence of the public is vital to the police, to enable them to detect and prevent crime effectively. That extends to the techniques and tools used by the police in their role. I was struck by the remarks of the hon. Member for Edinburgh West (Mike Crockart); one of his key points was about the concepts of usefulness and effectiveness. If we ensure that there is trust and confidence, and that the scientific elements are deployed so as to be more effective and so as to secure public trust and confidence in them, that in itself aids policing; it aids confidence, trust and belief in the work that the police do on our behalf to make communities safer. That is an important aspect of the debate and I welcome the hon. Gentleman's speech.

We are all aware of cases in which DNA evidence has been important in proving guilt or innocence, and several examples have been given this morning. The fight against crime necessitates the use of modern scientific techniques of investigation and identification. Indeed, this country claims a pioneering role in utilising DNA technology. As we have heard, it has proportionately one of the largest DNA databases in the world, with more than 6.1 million profiles stored on it. It has grown by more than 1 million profiles in the past two years. The use of technology must strike the right balance between the wider interest of public protection and the respecting of private life rights. That sense of proportionality is central to the debate.

Mr Nuttall: Will the Minister explain briefly how having a DNA profile put on a database can affect someone's private rights? How does their profile being on a database impinge on their rights?

James Brokenshire: I think that I touched earlier on the fact that it is a question of the way the state may perceive an individual as a criminal, when they are innocent, and the impact of that on a person. As a Home Office Minister I sign many letters to honourable colleagues who have raised that point, and I am sure that the hon. Member for Tynemouth used to do so before me.

This morning's debate is drawing to a conclusion. I look forward to continuing debate and I invite right hon. and hon. Members to engage positively in it as we

progress and as further details of our proposals are published. We have reflected on the need for and effectiveness of CCTV systems and the DNA database in helping to prevent and detect those crimes that are of most importance to our constituents, in a way that respects their civil liberties and commands their confidence and thus supports the police in making us all that much safer.

Child Health (Nottingham)

12.30 pm

Chris Leslie (Nottingham East) (Lab/Co-op): At the outset, I wish to provide a little context to the debate. Nottingham is the 13th most deprived authority in a total of 354, according to the Government's 2007 deprivation index, with 81% of children falling within the first three deprivation deciles. In other words, the vast majority of young people form the poorest third of the population. There are some especially poor pockets of deprivation in the Nottingham constituencies. In my constituency, they can be found in the St Ann's, Dales and Arboretum wards, and in Hyson Green and Forest Fields, to name only a few places.

In September 2009, about 700 young people were not in employment, education or training, the status of another 550 was not known, and 62% of all children lived in households where no adult worked or where earnings were so low that they received benefits or other state assistance. Although I am pleased to have the opportunity to debate child health in Nottingham, it is precisely because of the concentration of problems that afflict so many young people in the city that it was necessary to spend some time on that point.

It is important to recognise that much good work is being done, not least by the NHS services in Nottingham, the city council and others. I am glad that my hon. Friend the Member for Nottingham North (Mr Allen) is here, because it would not be possible to speak on the topic for more than 60 seconds without mentioning the early intervention approach of One Nottingham, the local strategic partnership that he has pioneered and championed. Breaking the cycle of poverty and poor lifestyle, and preventing problems from worsening or even occurring is critical to ensuring that we make progress. Poor health, particularly poor child health, is not new in Nottingham.

I pay tribute to Professors Elizabeth and John Newson—sadly John passed away last Monday—for their groundbreaking work on child health and psychology at Nottingham university. In their famous and influential book of 1963, "Infant care and motherhood in an urban community", they followed 700 Nottingham families, particularly from the St Ann's ward, considering the detailed habits of their lives and so forth. I shall briefly review some of the things that affect the city to illustrate the scale of the challenge that we face.

Mr Graham Allen (Nottingham North) (Lab): I thank my hon. Friend for raising this important matter on behalf of the city. Will he tell the Minister about Nottingham's fight-back with a set of early intervention policies that try to break the intergenerational nature of these problems? There is great concern in the city that the pioneering work that we have undertaken, which may go to national level, is now under threat because of the public expenditure cutbacks. We managed 14 early intervention programmes in Nottingham on a shoestring. If that shoestring is snipped, the work that has been started will not last the generation, which is necessary if it is to have its massive impact.

Chris Leslie: I could not agree more with my hon. Friend.

[Chris Leslie]

I shall take the opportunity to pay tribute to some of Nottingham's councillors. Councillors Mike Edwards, David Mellen, Jon Collins and others have been involved in ensuring a strong early intervention approach. Partnership work needs to be supported, not undermined—particularly, in this context, the Nottingham children's partnership. That partnership's "think family" approach is holistic and integrated. Like my hon. Friend, I worry that such preventive partnership work may now be at a high water mark, going down again because of the pressures on those funds. Apart from the NHS, agencies that are not ring-fenced have hitherto put money into their pooled endeavours; now they will naturally and instinctively pull back from those activities, and it will be difficult for them to do anything more than their core work, which will endanger their crucial efforts.

I wish to review some of the key questions that need to be tackled. Sadly, there are many of them. Child mental health is important and is often hidden, but many young people can be held back by such difficulties because of the behavioural consequences. Studies suggest that as many as one in 10 young children or young people in Nottingham are diagnosable with some sort of classifiable mental disorder that might require intervention. Apparently, 10% of five-year-olds experience difficulties that cause distress or have other impacts on their lives. Nottinghamshire Community Health, along with the council, has much of the responsibility for safeguarding vulnerable children, and it does incredibly important work. Again, I am worried about the lack of ring-fencing for other less visible services, particularly social services. I urge the Minister to assure us that social services funding for mental health services will be maintained, because it is incredibly important.

On the question of substance misuse, it is estimated that 3,700 young people in Nottingham under 18 regularly use class A drugs of one sort of another, but the figure could be higher. Although the proportion of young people drinking alcohol has not risen in recent years, it is still far too high when compared with figures for the rest of the country. The number of young people whose carers or parents are involved in drug or alcohol abuse is high; it is estimated that parental alcohol abuse affects between 10,000 and 20,000 young people in the city, which is an incredibly high number.

Smoking is a widespread cause of respiratory problems among young people. The British Lung Foundation report, "Invisible lives" suggested that residents in Nottingham are 40% more likely to be admitted to hospital with chronic obstructive pulmonary disease than the UK average, and respiratory conditions are among the most commonly reported in children.

Another crucial problem is that of teenage pregnancy. By national standards, the figure for Nottingham is still very high. The latest annual data suggest that, within local authority boundaries, Nottingham had the ninth highest rate at nearly one in every 15 teenage girls. Again, that is a shocking statistic. Some Nottingham wards have an under-18 conception rate of twice the national average; 15 of the 20 wards have rates that are among the highest 20% for wards in England.

Mr Allen: My hon. Friend is generous in giving way a second time. I would be failing in my duty as chair of the teenage pregnancy task force in Nottingham if I did not point out that we have had a fall in eight consecutive quarters because of the sort of things that my hon. Friend has pointed out, such as working together in partnership, and having clear leadership and lines of accountability. We have fabulous people working on the front line who are pushing down the rates. We also have a family-nurse partnership which gives intensive health visiting for young mothers, and we are doing many other things. I am sure that my hon. Friend will want to pay tribute to those people, particularly the front-line workers.

Chris Leslie: My hon. Friend takes the words entirely out of my mouth. I was explaining that the problem is still significant, but thankfully some good progress has been made, particularly through partnership work. That crucial support is funded through the working neighbourhoods fund, but recent Treasury announcements suggest that Nottingham's fund will cut by £1.2 million. The name on the tin—"working neighbourhoods fund"—does not say what it will do; supporting the programmes that help reduce teenage pregnancy is one purpose. It is incredibly important that we hear about its good work as well as about the shocking statistics.

I want to take the opportunity offered by this debate to highlight the issues of poor child dental health. Although the statistics and methodology of calculating such issues change from time to time, recent reports suggest that Nottingham children have, on average, three decayed missing or filled teeth each compared with just over one in typical parts of the rest of England. Shockingly, in some schools in Nottingham, a few children have been reported to have nearly six missing, decayed or filled teeth. Fluoride in toothpaste is improving matters, but the main factors are still poor diet and nutrition and poor oral hygiene. Although programmes such as the City Smiles dental health promotion programme and community-based services have promoted good oral hygiene and the use of fluoride varnish on teeth, much more still needs to be done. I want the funding for the City Smiles campaign to be confirmed and redoubled by the PCT, and I hope that the Minister will pass on that request. Moreover, we must think about the contentious issue of fluoridation of the water supply. In areas where fluoride is naturally occurring or where it is added, there is some protection against dental decay. Although I cannot claim to be a scientific expert in this area, I none the leis hope that the PCT and the east midlands health authority will speed up their review and put some options on the table within the next year if possible.

There is not enough time to address all the crucial issues, which include young people leaving care, children with learning difficulties and serious disabilities and how people can access services. I want to pay tribute to the NHS staff who work so hard in Nottingham. They have recently consolidated the children's services of City hospital with those of the Queen's Medical Centre to create the Nottingham Children's hospital at the QMC site with 15,000 inpatient occurrences and 50,000 outpatient contacts taking place annually. The hospital is very strong in renal and urology services, with 13 kidney transplants taking place last year. It is world renowned for its child integrated cancer services, with 135 children being treated there in 2009. There are also cystic fibrosis services and many others. None the less, there is still room for improvement. In particular, there is not enough

accommodation for parents whose children are in hospital. It is important that young patients have the support of their family around them. I urge the Minister to find a way to provide capital support for the PCT and the hospital to ensure that more bed space is provided.

I am also concerned to hear that Nottingham's speech and language therapy budgets, which are supported by the PCT, may be squeezed because of the financial pressures. Tragically, between 5% and 8% of pre-school children have speech and language problems, so there is a lot of concern about the loss of such resources in the Nottingham area.

I hope that the Minister will address recent policy changes. Childhood obesity and poor nutrition is one of the key underlying causal factors that come up time and again. A third of 10-year-olds in Nottingham are overweight or on the brink of the obesity category. Tragically, the free school meals pilot that had been on the cards has now been cancelled.

Lilian Greenwood (Nottingham South) (Lab): Does my hon. Friend not agree that there are concerns over the cut in the health in pregnancy grant from next January? Such a grant can be used to support breastfeeding mothers—breastfeeding is vital to children's health, and results in fewer infections and reduces the likelihood of children developing allergies. It also protects them from the very thing that my hon. Friend was talking about, which is the likelihood of people becoming obese, developing diabetes and, in the longer term, cardiovascular disease.

Chris Leslie: My hon. Friend is entirely right. It looks as if we will lose not only the opportunity to roll out greater nutritional standards through the free school meals pilot but the £190 health in pregnancy grant. To me, that was one of the most pernicious, mean-spirited decisions in the Budget. Young mums-to-be need not just warm words but financial support to back up what can be an expensive change in lifestyle. Folic acid and fresh fruit and vegetables do not come cheap. It is important that the support is there.

When we consider the other changes in the recent Budget announcement, the Minister needs to explain how young families can support some of the costs that are involved in healthy lifestyles. I am referring not only to the change in the health in pregnancy grant, but to the restriction on the maternity allowance to the first child only. Not much thought has been given to the effect that that will have on siblings. Cots, prams and children's clothes are expensive. Those are all issues affecting the decent lifestyles of young families in our city. From next year, the Government will remove the baby element from the child tax credit and reverse the settlement for one and two-year olds, which was due in 2012 and 2013. When those measures are combined with others, such as the freezing of child benefit and, as a tangent to that, the removal of the child trust fund, there is a sense that children's issues, which cover good child health, education and well being, are not as far to the front as I would hope.

I have mentioned some exceptionally serious issues and complex health problems. I have run over the key issues that need real action. In particular, I am referring to the partnership working that my hon. Friend the Member for Nottingham North discussed about. It is all very well suggesting that there will be increases in real terms for front-line health services, but health inflation goes far and above the retail prices index plus 0.5%. There will undoubtedly be pressures affecting hospital and ancillary services as well. The cuts in funding for local authorities and other public services—25% over the next four or five years—are unnecessarily fast and steep. Alternative strategies could be used. I fear that we will jeopardise some of the inroads that we have made into these problems. I hope that the Minister will do better than his other colleagues in government. There is a whole range of serious issues affecting child health in Nottingham, and I urge the Government to take them seriously.

12.47 pm

The Minister of State, Department of Health (Mr Paul Burstow): It is a delight to serve under your chairmanship today, Mr Amess; I know you have taken an interest in health debates over the years. I congratulate the hon. Member for Nottingham East (Chris Leslie) on securing this debate. He is right to say that he has brought a serious range of issues to the attention of the House. I applaud him for ensuring that the concern that he and his hon. Friends share about improving children's health in Nottingham is kept on the agenda both here in the House and in Nottingham.

I am delighted to have the opportunity to respond to this debate and to acknowledge some of the work that has already been done by hon. Members in Nottingham. In particular, the hon. Member for Nottingham North (Mr Allen) has been a staunch advocate on the subject, and has a good track record both in the House and in the local area. The hon. Member for Nottingham East should pay tribute to his leadership, particularly in respect of the teenage pregnancy taskforce, which has done important pioneering work on early intervention that has started to make a significant difference. The Government are determined to do everything they can to ensure that the lessons learned from the taskforce are embedded and sustained as we go forward.

I also want to thank the hon. Member for Nottingham East for his positive remarks about the work of local NHS staff. They are keen to build on the equally strong relationship they have with him and other hon. Members in the area by extending to me an invitation to have discussions with them. A lot of what the hon. Gentleman has said today was concerned with how we ensure that local services are better aligned with each other and collaborating effectively, and that the culture is right to promote effective joint working. Members have a key part to play in that process as local community leaders, and we already have an exemplar in that regard: the hon. Member for Nottingham North.

The hon. Member for Nottingham East cited a lot of statistics on this subject that are compelling and in some ways quite depressing. He pointed out that there is a significant concentration of deprivation and poverty indicators in parts of his constituency, and across the city of Nottingham more generally. Sadly, the map of poor child health aligns all too readily with the wider issues of social and economic deprivation. Clearly, there are challenges to be faced in that regard.

The local NHS should be congratulated on the progress it has made, because significant improvements have been made in some areas during the last decade. Those

[Mr Paul Burstow]

areas show that strong, well integrated, well resourced and well targeted mainstream services can indeed make all the difference.

We know that there is much more to do in Nottingham—a point that the primary care trust emphasised when I spoke to its representatives yesterday, ahead of this debate. For example, it reassured me that children's health, particularly in the poorest communities, will remain a strong priority for the future and that it will continue to invest in local health services as well as contributing strongly to the children and young people's plan, which is important. I understand that that plan, which is very important in driving delivery on the ground, will go to the city council in a few weeks' time.

That culture of strong partnership working is particularly important: we need much more in the way of joined-up planning, commissioning and delivery in the future. The PCT has reassured me that its priority is continuity, and I hope that that reassures the hon. Members for Nottingham North and for Nottingham East. We want to ensure that we are pushing ahead in areas where progress has been made—there has been progress—and quickening the pace of improvement elsewhere. The Government intend to support such efforts and to ensure that the work that has been started on early intervention and prevention is not lost or thrown aside, but is seen as an essential investment. In truth, that work is not a waste of resources but unlocks resources; to stop it would indeed be a false economy. Therefore, we want to ensure that the poorest communities can get the well targeted services, run by confident and assertive staff, that they need.

Reference has been made to spending pressures. Those pressures existed before this Government came into office; indeed, the last Government acknowledged that the deficit presented a significant challenge to the public sector, including the health service. Indeed, they mapped out the challenge that would have to be faced. Through our first, emergency Budget, the new Government have recognised that not to act promptly would be to fail to deal with the difficulties and the legacy we inherited. In failing to reduce the deficit, we would not only endanger the whole economy but some of the most vulnerable people in our communities, through an inability to secure sustainable public investment in key services. So the decisions we have made, some of which have undoubtedly been painful, are absolutely essential if we are to deliver the sustainable economy and growth that we all need, and the support that is essential to ensure that services continue to develop.

However, as part of making those tough choices, the Government took the decision to protect the NHS and to secure real-terms increases each year for the duration of this Parliament. The hon. Member for Nottingham East was right to say that that does not mean it will all be plain sailing from now on; there will be difficulties and challenges ahead, and there are real pressures on the NHS budget. However, we do not believe that the sick should pay the price for the debt crisis, and this funding will enable the NHS in Nottingham to continue improving services.

That does not necessarily mean "more of the same". One of the lessons that I took from last week's National Audit Office report on health inequalities is that success is not all about spending more money. In many cases, it is about spending money more wisely, and the type of schemes the hon. Member for Nottingham North has led in Nottingham are a case in point. In that way, big differences can be made with relatively small amounts of investment.

We need a fresh approach, with a health service that is more preventive, more integrated, more answerable to local communities and more responsive to local needs. We will say more about that approach in the health service White Paper that will be published in the near future, and which will clearly have an impact on the way that health and social care services are delivered in the Nottingham area.

Mr Allen: My hon. Friend the Member for Nottingham East pointed out that one way we can make small amounts of money go a long way is through inventive use of the working neighbourhoods fund or its predecessor, the neighbourhood renewal fund, for example. Sadly, however, as my hon. Friend pointed out, those funds are the first things to go when an organisation starts looking at its core operation and contracting inside its own silo, rather than reaching out in partnership with others. That is a problem and the Minister really must address it.

Mr Burstow: It is a challenge, and one that both the Government and local organisations understand. When we publish the White Paper, I hope the hon. Gentleman will see that we are addressing that challenge in a very direct way, to ensure that every pound the taxpayer invests in our health service really delivers the maximum possible benefit for the communities it is meant to serve.

The hon. Member for Nottingham East raised a number of specific points and I want to address as many as possible in the time remaining. On child and adolescent mental health services, he said that up to one in 10 young people in Nottingham are diagnosed with mental health problems. Clearly, deprivation, isolation and exclusion are often the harbingers of poor mental health, and children living in poverty are frequently the worst hit. That carries a cost of the sort the hon. Gentleman talked about—one borne not only by those children personally but by the wider community. The hon. Gentleman was therefore right to talk about the vital role that children's mental health services play. The children and young people's plan is focused, rightly, on greater prevention and earlier intervention. I can therefore assure him that this Government attach a very high priority to early intervention, preventive mental health services and public mental health services; they are very important to us.

The children and young people's plan also aims to stop young people experiencing behavioural problems, mental illness, substance misuse and low educational achievement. Again, that requires a confident and well equipped work force who bring together skills across the statutory and third sectors. I understand that the local NHS and the local council plan to improve the training and development of staff in dealing with such behavioural problems.

The hon. Gentleman asked about smoking, which I acknowledge is an important issue that we need to keep a clear focus on. I understand that work is progressing in that field that is targeted at reducing smoking during

pregnancy. He also talked about the work that has been done on teenage pregnancy in Nottingham. He is right to say that we should applaud the fact that the teenage pregnancy rate in Nottingham has fallen for eight consecutive quarters. The rate in Nottingham was among the highest not only in the UK but in Europe. Clearly, the rate is now going in a different direction—one secured by the integration of services and effective leadership on the ground. However, the figures remain stubbornly high, and we need to ensure that there is more effort and focus on reducing them. The local PCT has reassured me that a number of schemes it is taking forward, such as the C-card scheme and various other initiatives involving sexual health services, are being maintained. By way of reinforcement, reducing teenage pregnancy will be a feature of the joined-up working produced by the children and young people's plan.

The hon. Gentleman cited statistics on dental health that were even more stark than those I was presented with by my officials, including on schools that reported having pupils with six teeth that were either missing, decayed or filled. In fact, the latest figures show a slightly different and hopefully better picture. They suggest that five-year-olds in the Nottingham city area have, on average, 1.73 decayed, missing or filled teeth. That places the city's PCT as the 31st worst performer on that indicator, whereas it was the second worst the last time such figures were published. That figure of 1.73 compares with an average figure of 1.11 for five-year-olds for the whole country. The hon. Gentleman is therefore right to say that more needs to be done about oral health and hygiene in Nottingham. The City Smiles programme will certainly continue to play an important part in that work. On the direct provision of dental health services in Nottingham, the hon. Gentleman will be pleased to know that two new dental practices will open in October, in Bulwell and Bilborough, which will obviously improve access to such services. He also talked about fluoridation. Clearly, such matters are to be decided upon locally, but I will pass his comments on to my ministerial colleagues.

The hon. Gentleman also spoke about funding for speech and language therapy. When I talked to representatives of the local PCT yesterday, they certainly gave no indication of any intention or plan to cut those services. I can assure him that I asked the PCT a lot of questions in preparation for this debate. However, if I am misinformed on this subject, I will certainly write to him to give him further details.

You, Mr Amess, will know about the importance of the issue of obesity, as we both served on the Health Committee when it produced a report on obesity some years ago. Again, the local PCT has told me that it will continue its work on the active schools programme, which encourages more children to take up sporting activities.

I am afraid I will probably run out of time shortly, but the hon. Gentleman has certainly given us a run-around the important issues that this Government will continue to maintain a clear focus on. We see delivery on those issues being provided by effective local leadership, effective integration of commissioning and provision, and good leadership from politicians nationally and locally. By doing that, we believe we can improve the nation's health.

Newark Hospital

1 pm

Patrick Mercer (Newark) (Con): I am most grateful that you are chairing this important debate, Mr Amess. Nottinghamshire is getting a good outing this morning. I hope that the local press appreciate it; it is not at all laid on for their benefit. I thank the Minister for being here. It shows a degree of commitment from his Department as well as from him personally. Not only did he give up his time to make his first ministerial visit to Newark hospital when I asked him, he is also here today. I thank him personally for the great interest and acumen that he is showing. I also thank the hon. Members who are here in support. My local paper, the *Newark Advertiser*, is interested in the issue and has been supportive, and the "Save Newark Hospital" campaign has been immensely helpful.

This subject is extremely important in my constituency. I will not say that it divides public opinion, because it does not. It is quite simple: I cannot find a single person in Newark who does not support the development and further expansion of the services of a vibrant and successful hospital in a town due to grow by many thousands over the next five to 10 years. The issue does not divide the town; everybody agrees that we need a proper, developing and expanding hospital.

A health care review began 18 months ago, entitled "Help to shape the future of Newark's NHS". As a sitting Member, I realised that the three elements involved—Nottinghamshire County primary care trust, Sherwood Forest Hospitals NHS Foundation Trust and the East Midlands ambulance service—needed my responsible and sensible support if we were to improve health service in a town that is growing exponentially.

The process made good progress, but recently we have run into trouble. The subject, quite rightly, became extremely contentious and difficult during the election campaign, and is now attracting more and more energy as people become more concerned about what is going on. One or two mendacious suggestions that the hospital would close were made during the campaign. I do not believe that the hospital will close under this Administration or any other, nor should it, so we can put that suggestion to one side. Those in the town of Newark who hope to frighten individuals with it are both irresponsible and mendacious, but things become difficult when one sees the health care review document—it also says that Newark hospital will not close, which is fine—which says:

"Some services will change, some will be added."

If we pitch against that the changes that have occurred, we can understand the perception in my constituency. First, we are going to lose our accident and emergency ward. I know that and accept it, but it is alarming to the people of Newark. I will return to that issue in a moment. We have already lost the Friary ward; I will return to that in a moment as well. The blood classification service has been alienated. Pharmacy services have been closed. All sorts of dilemmas exist about the protocols under which ambulances work: for instance, if a child is knocked over within sight of Newark hospital, the ambulance that picks up that child will not take the child to Newark hospital. Nor should it—Newark hospital cannot cope with injured children—but it is hard for a

[Patrick Mercer]

parent who can see the hospital not to wonder why his or her child is being taken to Lincoln, King's Mill or Mansfield hospitals or to Sutton in Ashfield, for instance. It is a difficult matter of perception. Furthermore, we were recently told that another ward would be closed. I think that my constituents feel that they have been misled rather than informed by the process.

We have had a healthy debate among the three different factions and various town campaigns, but if the Minister will bear with me for a few moments, I would like to apply to what is happening in Newark the four crucial tests laid down by the Health Secretary for the improvement of health services throughout the country. I repeat that a lot of it is a matter of perception. Ambulances were never going to take children to Newark hospital. However, why that has not been properly explained to my constituents, who continue to think that ambulances could do so, is a wholly different matter. I have no doubt that the Minister, who is nodding in agreement, understands that as well as I.

The first of the four crucial tests is that changes should have the support of GP commissioners. Let us test the closure of the accident and emergency ward at Newark hospital. Anybody who bothers to lift the stone and look underneath will understand that Newark has not had an A and E ward for as long as I can remember. There is no debate about whether it should; it meets none of the criteria. Therefore, the sign is clearly misleading and unhelpful, and it must go. However, Newark sits at an extremely important point on the A1, near the dualling of the A46 and the east coast railway line, where there is massive potential for large-scale injuries. If the Potters Bar crash happened in Newark, as it might, Newark hospital could not cope with that many accident and emergency cases.

However, we need something better than what is proposed. I am told—although I treat this with a certain amount of scepticism—that GPs are strongly behind the idea of having a minor injuries unit-plus rather than an A and E ward. I cannot describe how irritating that is, not only to me but to the people of Newark. Most will accept that A and E has no place at Newark hospital, but most believe, and indicated during the consultation process, that we need an urgent care centre, ward or similar at Newark hospital where people can go to receive the care that they need. I believe that that will be provided, so it does not matter much; we are really arguing about what the notice should say. However, I say to the Minister that if we do not get an urgent care ward, centre or whatever, it will spread unnecessary alarm and despondency in Newark. The title "minor injuries unit" suggests cuts and bruises or coughs and sneezes, which is unacceptable and similarly misleading to the public.

Sherwood Forest Hospitals NHS Foundation Trust says that it supports

"the provision of an 'urgent care, minor illnesses and minor injuries service' at Newark Hospital, as agreed by local clinicians and supported by the majority of local people during the formal consultation process"

and wishes

"to ensure that the name of the new unit clearly describes the breadth of services provided and ensures that patients access services in the right place, at the right time, first time."

The next test, however, is that proposed changes must strengthen public and patient engagement. I seek an assurance from the Minister about patients, members of the public, all local GPs and particularly the staff of Newark hospital, who have been enormously supportive, helpful and loyal to their organisation. A horrible rumour circulated in town that staff had been gagged from talking to the press or the Minister. I am sure that the Minister would agree that during his visit last Thursday, not only did we hear some extremely articulate individuals but members of staff were not restricted at all. They and their opinions are terribly important. Will staff at Newark hospital be included in all decisions on the future of the hospital? I ask the Minister how we can achieve that, because clearly we are anxious to help with the process.

The next question I ask the Minister comes under the same heading of strengthening public and patient engagement. I absolutely accept his point that the process has to be led from the bottom up—it must be led from the grass roots and must not be top down and dictated from the top. I know that the Government are committed to maintaining front-line services, but will the Minister assure me that services at my local hospital will not be reduced or diminished for acute and sub-acute patients? I understand that change has to occur—I am not being a stick-in-the-mud about this; I am trying to be as helpful as I can—but that question is crucial. As I have said, not only has the Friary ward been closed, but there is word that another 30 beds will be taken away. That is the equivalent of another ward. If we lose that number of beds, my worry is that very shortly Newark hospital will become nothing more than a cottage hospital. That is the last thing I want, so I ask the Minister to deal with that question.

Mr Mark Spencer (Sherwood) (Con): Does my hon. Friend recognise that Newark hospital is important to not only his constituents, but the constituents of Sherwood and Bassetlaw? It is particularly important to people who live in villages to the east of the A614, many of whom prefer to use the services at Newark rather than travel to the Queen's medical centre or to King's Mill hospital.

Patrick Mercer: I am grateful to my hon. Friend for that intervention and I congratulate him on his tremendous success at the election, although I regret the departure of his predecessor, who was a close friend of mine. I completely agree: the hospital's influence extends far beyond Newark. Once the A46 is dualled—heaven help us if that is cancelled—it becomes even more important that the hospital can provide a quick and urgent service to people in the Sherwood constituency. I absolutely accept his point.

The third crucial test is that of greater local clarity and the need to have a clinical evidence base for any proposals that will be made. In the light of that, it is proposed that patients are treated at Lincoln hospital's accident and emergency department instead of Newark's. The patient safety record at Lincoln hospital is worse than at Sherwood Forest Hospitals NHS Foundation Trust. Can the Minister shed some light on the matter of patient safety, because I want my constituents, or anyone who is injured, to go to the best possible place? If such a situation exists, can we have some explanation for that proposal?

The last test is that proposals should take account of patient choice. Many in the town of Newark would say that the consultation process was faulty and was not properly delivered. A number of proposals were clearly supported by everybody who responded to the process and therefore my fourth, and almost my last, question to the Minister—I am sorry if I am burdening him with tedious matters—is whether he will investigate the closure of the Friary ward, which is our local psycho-geriatric ward, and consider whether it might be reopened in the future. We have been told that the Friary ward has only been closed temporarily and that we will get psycho-geriatric services back in the near future. It is crucial that that happens.

I respect and understand those four points. The difficulty is that Newark lies right on the edge of Nottinghamshire and Lincolnshire. In theory, we have excellent communications in all four directions, but if we have a national health service based on centres of excellence in places such as Lincoln, Sutton-in-Ashfield and Nottingham, we obviously need communication from Newark to those centres of excellence. I understand that we cannot have one of the several hospitals in Nottingham inside Newark, but we must have an ambulance service that is capable of getting our injured or routinely sick to centres of excellence quickly, efficiently and calmly. I have received a number of reassurances from the ambulance service that those improvements are in hand, but I would be grateful to the Minister if he could dilate upon that a little more. Can he reassure me that we will have an ambulance service that is fit for the 21st century, which can deal with the increasing number of people who live inside the town?

You will be relieved to hear that I have almost finished, Mr Amess. I understand that we must have demonstrably better outcomes for patients and that we must ensure they receive the highest-quality specialist care in specialist centres. I understand that, in many cases, it is better to treat people at home rather than in hospitals. I am not being narrow minded or reactionary about this, but so much of the process has been badly presented to the public, to health care professionals and to patients. If only we could have some clarity on the matter and I could see clearly that the four tests set by the Secretary of State were being met, I would be a lot happier. The matter is crucial to Newark, which sits on the edge of two different local authority areas, and I am extremely grateful to the Minister for the time he has taken to visit the town. However, a strong and vibrant outcome from this process would assure Newark that it does not just sit on the edge of everything; it lies in the heart of the east midlands, which is exactly where it ought to lie.

1.16 pm

The Minister of State, Department of Health (Mr Simon Burns): I congratulate my hon. Friend the Member for Newark (Patrick Mercer) on securing this important debate on the future of Newark hospital. As he said, I was fortunate enough to visit the hospital last week. I was extremely grateful to have the opportunity to do so and I was particularly struck by the enthusiasm and dedication of all the staff and management I had the privilege of meeting during that visit. I fully understand my hon. Friend's desire to ensure his constituents have the best possible health services. My visit last week proved extremely useful in understanding the issues there.

I would like to take this opportunity to outline briefly the Government's approach to service reconfiguration. We believe that the best decisions are local decisions, and that change should be driven by local clinicians, not imposed by politicians or decided by managers behind closed doors. The Secretary of State has identified four crucial tests that all reconfigurations must now pass. First, they should have the support of GP commissioners; secondly, arrangements for public and patient engagement, including local authorities, should be strengthened; thirdly, there should be greater clarity about the clinical evidence base underpinning any proposals; and fourthly, any proposals should take into account the need to develop and support patient choice.

To ensure the long-term future and sustainability of health service provision in Newark, a range of NHS services in the area have been reviewed. Those include unplanned and emergency care as well as in-patient dementia care. I understand that clinicians from primary and secondary care are in unanimous agreement that Newark hospital cannot provide a full accident and emergency service—I am grateful to see my hon. Friend nodding in agreement to that. They have concluded that, for the sake of patient safety, the hospital should no longer care for patients with acute medical conditions. The hospital should also be named more accurately to avoid public confusion, ensuring that patients go to the right place first time and are not put at additional and unnecessary risk by going as a first destination to a unit that is not able to look after their degree of injury.

The main reasons for that are as follows. First, every tier 1 accident and emergency department needs an intensive care unit, emergency operating theatres and 24/7 anaesthetics to provide back up for the A&E and acute medical conditions. Unfortunately, Newark does not have those and has not had them. Secondly, acute emergencies require specialist skills, which are not and have not been available in Newark. Thirdly, doctors agree that avoidable transfers are associated with poorer health outcomes and worse patient experiences. In 2009/10, the PCT reports, a significant number of patients had to be transferred, many due to a deterioration in their condition.

The local NHS ran a consultation exercise earlier this year to garner the views of local people. The majority were in favour of changes to urgent and emergency services at Newark hospital. I know that there is a view, expressed by some campaigners, that the consultation was rushed, too small to be properly representative of the local community's views and that the full implications of the review have not been sufficiently drawn out. The NHS must not take local support for granted and must continue to engage fully with clinicians, the public and the council's overview and scrutiny committee. If a consultation is inadequate, it must be improved and should provide as much relevant information as possible. The overview and scrutiny committee continues to review the implementation of planned changes, which is essential to help to ensure democratic scrutiny.

The strategic health authority has told me that Nottinghamshire County PCT engaged with the overview and scrutiny committee throughout the Newark review and that evidence of that engagement was presented at the PCT board meeting on 17 June. Yesterday, the PCT met with the overview and scrutiny committee to decide the next steps. I understand that it does not intend to refer the proposals to the Secretary of State.

[Mr Simon Burns]

I will turn now to one of the problems with the reconfiguration: the naming of the unit that will deal with injuries, which my hon. Friend mentioned. It is of course important that the facility at Newark hospital is appropriately named. I know that some people would prefer it to be known as a minor injuries-plus unit, while others would prefer to call it an urgent care centre. As he will appreciate, it is not for me to intervene in that issue in a top-down manner. The choice of a name must be agreed locally and should clearly reflect the nature of the facility, so I hope that the matter can be resolved locally through ongoing discussions.

On A and E services, I understand that Newark hospital has never had a full A and E department. Confusion has arisen in part because there is an A and E sign outside the building, but that does not reflect the nature of the services provided inside. Having a local A and E department on one's doorstep can feel reassuring, but the reality is that receiving the best care does not always mean being taken to the nearest hospital. Some patients might be treated at the scene and others might be taken to Newark for treatment, but those who have suffered major trauma will be best served by being taken directly to specialist units, receiving care en route to the hospital that has the most suitable facilities.

The proposed changes aim to solidify the existing protocols on diverting acute patients to more appropriate hospitals, ensuring that patients go to the right place the first time and are not put at additional and unnecessary risk. I understand that the parents of a young child recently turned up at Newark hospital A and E, incorrectly assuming—understandably—that it was a full A and E department, and the child's care was delayed as a result. I stress my earlier point about the importance of naming the unit correctly so that local people can understand easily what it does and does not do. I am pleased that during October and November there will be a public education process in Newark to explain exactly what the unit does and where patients should go in the first instance, either to Newark or to another hospital, for appropriate treatment when injured.

Patrick Mercer: Would the Minister be kind enough to inform the relevant authorities that I would very much like to be involved in that work? The whole process has been marred by poor communication and bad consultation, so I would be happy to help in any way I can.

Mr Burns: I am extremely grateful to my hon. Friend and am sure that there is a role for him to play in helping his constituents in the education process and explaining fully the role of the unit so that it receives appropriate admissions in future.

On the running down of services at Newark, we must be careful not to do the local NHS a disservice through idle talk about the future of the hospital. The proposals focus on giving patients access to safe care for urgent conditions. The people of Newark will continue to access Newark hospital if that is the most clinically appropriate place for their treatment. There will be an increased availability of same-day or next-day outpatient appointments for patients who GPs believe require urgent assessment. If a diagnostic test such as an X-ray is required, that will be done at the same time.

There is also scope for Newark hospital to undertake more planned surgery, such as hip and knee replacements. I know that that is being explored by the Sherwood Forest Hospitals NHS Foundation Trust and the PCT. It is also important to note the important role that Newark hospital plays in rehabilitating patients who are well enough to leave the facilities at Lincoln and Nottingham and can continue their care closer to home. Those proposals would also see an out-of-hours GP service available on site, which I hope my hon. Friend will welcome, as patients who wish to see a GP after midnight currently have to travel up to 20 miles to see one in Mansfield.

I am aware that the local press have reported that Newark hospital is being downgraded. The trust has made it clear that there are no plans whatever to downgrade the hospital. Rather, the plan is to make it fit for purpose and safe for patients. The trust also assures me that it is fully committed to Newark hospital and has no plans to close it. Rather, it sees the hospital as an integral part of local health services. I hope that that goes some way towards reassuring my hon. Friend and his constituents.

He also mentioned Friary ward, which was temporarily closed by Nottinghamshire Health Care Trust to assess how it can best be used in future. I gather that demand for the ward, which has 15 beds, had dwindled to two patients. More people need to be cared for in their own homes, as I suspect many patients would prefer, if that is medically and clinically feasible. I will certainly write to him with more details on what is happening at Friary ward and what will happen as a result of the trust's assessment of the future of that part of the hospital's activities.

On the concerns about the public consultation, the evidence I have been given indicates that there was a full engagement with the local community about the proposals that were put out to consultation prior to decisions being reached, although there will always be differences of opinion. I have no evidence to show that that was not a satisfactory and wholehearted consultation, even though I accept that some people remain unconvinced by the proposals before the trust.

In conclusion, local health services will need to evolve and become more efficient, in line with current Government policy. If we want to take people with us, we must ensure that they have full confidence in the decisions being taken and feel that their voices are properly heard. That is what the new arrangements are about. That will not always be easy, but if it is clear, transparent and led locally by clinicians, and if it listens and responds to the voices of local people, it will help to reduce the anxiety my hon. Friend has spoken about today and on which he has so eloquently campaigned over the past few months for the people of Newark. The commitment and tenacity he has shown in fighting for local health services is commendable, and I know that he will continue to engage constructively with the local NHS to ensure that his constituents' concerns are properly heard.

I trust that something can be done through continued dialogue between all parties, including my hon. Friend, to resolve satisfactorily the differences of opinion on the name of the unit so that there is no confusion about where his constituents should go if they or their family members are involved in an accident and that they get the quickest and finest health care possible in the most appropriate setting.

Community Policing

1.30 pm

Ian Lucas (Wrexham) (Lab): It is a pleasure as always to appear before you, Mr Amess. I welcome the Minister, the hon. Member for Arundel and South Downs (Nick Herbert), and congratulate him on his appointment.

The Minister for Police (Nick Herbert): Right honourable.

Ian Lucas: I do beg his pardon—the right hon. Member for Arundel and South Downs. In that case, I will congratulate him even more. He has always been civil in his dealings with me. I am sure that we will cross swords, if not today then in the future, but I welcome him and congratulate him on his elevated status.

I try to keep it quiet in this place that many years ago I was a solicitor in private practice. It is often not a good idea to advertise the fact that one is a lawyer. I worked as a solicitor in criminal law in north Wales in the late 1980s and the 1990s and, as policing is one public service that has improved beyond all recognition in the past ten to 15 years, I regret that in those days I considered that it was not of the standard that it should have been.

Chris Ruane (Vale of Clwyd) (Lab): I congratulate my hon. Friend on securing this debate. Does he agree with me that North Wales police is one of the most successful police forces in the country, and has the lowest crime rate?

Ian Lucas: My hon. Friend is already stealing some of my speech. He is well aware of the vast progress that has been made in north Wales, through an effective, successful and engaged police force. When I was first elected to this House in 2001, it was not unusual for councillors to have very little contact with their local police service. There were certainly no structures in place to enable local communities, through councils, to work effectively with the police service. I am pleased to say that the Crime and Disorder Act 1998 put in place the building blocks for that to change, and local authorities and police services now work together to combat crime. It is extraordinary that before that date there was so little engagement between those two large public sector organisations, at a time when criminal behaviour issues were one of the most common reasons for constituents visiting my office.

The establishment of community safety partnerships—as we call them in Wales—created a forum within which the general public, councillors, police officers and others involved in the criminal justice system could work together, identifying problems of concern to the local community and devising actions to address those problems. One major step was the establishment of a system of community beat managers. I seem to recall that north Wales was ahead of the game on that, establishing community beat managers responsible for council wards. The managers were identified police officers, who, it was hoped, would stay in place for about three years and get to know the area they were policing very well. When I was first elected, if a crime-related issue was raised in my surgery I often had difficulty finding a point of contact in the local police. That all changed with the establishment of the community beat manager system, and I now have a list of community beat managers for particular wards on my wall and know who to contact directly when an issue arises.

Community beat managers do not, of course, operate on their own. The Police Reform Act 2002 introduced police community support officers, who have also been extremely effective in helping to improve policing on the ground. I think that that Act is inspired legislation because I see exceptional police community support officers operating in Wrexham, individuals whose commitment goes way beyond that which is set out in their contracts. They are now an essential component of a successful criminal justice system. They function as an early warning system and as a community service, working as a team to safeguard the communities within which they operate.

In Wrexham, we go even beyond the people who get paid to police. We have an unusual, albeit developing, group of people, who work hard to assist the criminal justice system. We have special constables, as do many other places, but we also have a group called street pastors. I am not sure if the Minister is aware of these individuals. In Wrexham, they are a group that is linked to local Churches and which has functioned for about three years. They work particularly at weekends, when the town centre gets a little livelier than even the Strangers Bar does on occasions. There must be about 30 street pastors operating with the police in Wrexham, and their calming influence is effective in taking the heat out of incidents that could lead to the commission of crime.

As I was preparing for this debate, I looked at the national Street Pastors website and saw an example of exactly the type of thing that happens. Someone posted a thank you on the website, and happened to refer to Wrexham. Sometimes these things are meant:

"My 20-year-old daughter is in her 3rd year at Chester Uni, training to be a Children's Nurse. Last night she went out into Wrexham with 3 of her friends to celebrate passing all her exams and assignments and to look forward to her last and final year of training. On leaving the nightclub in the 'early hours', the 4 girls were all 'shoe-less' from dancing and celebrating all night, and all a little 'worse for wear'! This morning she presented me with a pair of purple flip flops. She told me that when the girls left the club they were greeted by some Christians, who gave them the flip flops to walk to the taxi rank, fastened their shoes around their necks and were 'very kind'. I am writing to say THANK YOU SO MUCH. Your Street Pastor Scheme is fantastic."

The street pastors in Wrexham are all volunteers, and they work very closely with the police and the community support officers to make the streets of Wrexham even safer.

Much of the credit for the success of community policing in Wrexham should go to a recently retired inspector whom I would like to mention by name: Inspector Chris Beasley. He worked extremely hard in Wrexham and was always very open to new ideas, such as flip-flops and street pastors. He was receptive and imaginative in his policing, and as a result established a tremendous reputation in the town. We are very proud of the police service that we have built up over many years in Wrexham, and also more broadly in north Wales.

Chris Ruane: My hon. Friend rightly sings the praises of his constituency and his county. Is he aware that Denbighshire, where my constituency is located, is the third best of the 376 crime and disorder reduction

[Chris Ruane]

partnerships in England and Wales? That is partly down to the legislation that our Labour Government introduced, partly down to the funding, and partly down to the excellent co-operative working that we have in Denbighshire.

Ian Lucas: If I was not aware of that before, I certainly am now. My hon. Friend is always full of imaginative ways of intervening and promoting his constituency, as he has just done.

I have set out the excellent work that has been done, but my concern is about the future. The extension of community policing has taken place against a backcloth of increased investment in our police service, including an increase in the number of police officers, the introduction of community support officers, and Home Office support for the street pastors scheme. Unfortunately, under the Tory-Lib Dem Government, that support has already been reduced.

Today the newspapers in north Wales carry details of an interview with the local chief constable, who talked of the £1.4 million reduction in this year's budget, which has already happened for north Wales. He says that

"the suggestion from David Cameron is that this could be increased to 40 per cent over the next four years. This would mean cuts of £30 million coming out of our budget."

He goes on:

"Eighty-two per cent of our money is spent on staff so even if we stopped using computers and walked everywhere we would have to cut staff numbers."

Those staff are the community beat managers and community support officers that I mentioned. Those individuals have achieved the progress in policing and in making safe the communities that I represent over the past decade. I am, therefore, extremely concerned to hear my chief constable saying that he cannot deal with the proposed reductions in expenditure without getting rid of some of that staffing.

That is a major concern, but not just from me—I am already receiving representations from councillors in my constituency. My good colleague Councillor Michael Williams of Gwersyllt has told me that good work in combating antisocial behaviour in his ward is under threat. He tells me that already community beat managers are not being replaced. He represents a community of up to 10,500 people who now have only one community beat manager, whereas previously they had two.

Mike Weatherley (Hove) (Con): Would the hon. Gentleman agree that, if we reduce some bureaucracy, we might get more time on the beat? The expenditure might not, necessarily, have the impact he suggests.

Ian Lucas: The hon. Gentleman makes what is always an important point: no one wants to create bureaucracy. However, the chief constable tells me that he will have to let staff go because of the proposals and that is why I quoted him directly. Of course we want to create less bureaucracy—no one enjoys bureaucracy—but we need to take the professional opinions of chief officers seriously or we will threaten the way in which policing has developed so successfully. We do not want to undermine what is, essentially, a success story.

What I would like from the Minister is an assurance that the Government believe in community policing. A statement to that effect, at the outset, would be useful. The budget reductions floated at the present time—whether 25% or 40%, or even if they are less than 25%—will clearly have a major impact. That chief constable's statistic about more than 80% of his budget being spent on staffing is very relevant. How does the Minister see the budget being reduced to the extent discussed by the Government without a reduction in the number of police officers? Also, what is the Government's view of the future of community support officers? Do the Government anticipate a reduction in the number of CSOs? If so, who will be responsible for dealing with them and who will make the decision to make them redundant, if that is to happen?

We have heard that there has been major progress in policing in north Wales. Through the Crime and Disorder Act 1998 and community safety partnerships, we have established effective structures that have led to a diminution and lessening of crime in the communities that we represent. A major impact has been not just on the commission of crime but on the social atmosphere in an area.

One of the best ways of creating cost in the criminal justice system is to allow criminality to rise. A rise in crime means a strain on prison budgets, effectively increasing the cost of crime. More pressure will be put on Government budgets if the successful anti-crime strategy pursued in the past is jettisoned.

I therefore appeal to the right hon. Gentleman, the Minister, who is a sensible man and who knows a good success story when he sees one, to fight his corner against the Treasury, and to say to them, "Let's look at the effective way of reducing cost in the criminal justice system." The most effective way, I venture, is to reduce crime in the first place—something achieved under the Labour Government since 1997. The reduction of crime has meant that fewer people are causing more cost to the system. Effectively, progress in the creation of community policing—one of the great success stories of the last Labour Government—should be continued, so that the people that I represent feel safe in their communities and so that we do not go back to the bad old days when no one knew who the local constable was and no one knew where to go when crime was committed.

1.44 pm

The Minister for Police (Nick Herbert): I congratulate the hon. Gentleman on securing the debate and thank him for his kind words. I appreciate his long interest in policing matters, as a constituency Member of Parliament and generally, and the passion and commitment with which he talked about community policing. I welcome the opportunity to respond to him specifically and to set out in more general terms the Government's approach to community policing and to the considerable challenge that we must face.

The hon. Gentleman spoke first about the importance of partnership in tackling crime—how the police are involved in a partnership approach and the value of his local community safety partnership. I am very happy to agree entirely with him. I believe that one of successes of the past few years is that local partnerships can be effective in helping to fight crime and in dealing with offenders.

Challenges for us include ensuring that, at a time of fiscal retrenchment, local partners continue to accept their responsibilities and engage with those partnerships, and that, at a local level, they are operating without bureaucracy, are action-oriented and problem-solving, and are not make-work organisations. At their best, the community safety partnerships have helped in the fight against crime.

I would be interested to hear more from the hon. Gentleman, formally and informally, about the effectiveness of his local partnership and how he thinks it might be improved. I am very much looking at such matters at the moment, as part of our police reform agenda. I appreciate and value the contribution of partnerships, recognising that the police cannot fight crime alone—the engagement of other agencies at the local level is required.

Secondly, the hon. Gentleman talked about the value of community beat managers and about longevity—people knowing who their local police officers are and having constables out on the beat, with such officers staying in their communities and not moving on. I know from my own constituency how much attachment people have to that. If there is one thing that the public ask for—it is the people's priority—it is to see police officers out on the streets. We have to recognise that front-line policing is broader than just community policing—the police do other important things, such as response policing—but the North Wales police currently receive £3.3 million specifically for neighbourhood policing.

The hon. Gentleman also talked about the importance of community support officers, as part of the mix of the available and visible policing in communities. At 30 September 2009, there were 158 police community support officers in the north Wales area. I believe that PCSOs have been an important innovation which has extended the police family. I disagree with those who reject the contribution that PCSOs can make. In my constituency, but also around the country, I have seen the added value that they can bring: a police presence and offering reassurance in neighbourhoods, well supplemented by the wider responsibilities that a neighbourhood policing team has to fulfil.

The fact that PCSOs are not fully empowered is far from being a disadvantage, and can be an advantage in keeping them with a near-permanent presence out on the streets, rather than being tied up by other duties. The hon. Gentleman asked me about PCSOs. We certainly want to see PCSOs continuing as part of the policing family.

PCSOs are not the only members of the policing family. The hon. Gentleman could have mentioned special officers and their contribution as volunteers. There is still untapped potential in the recruitment of specialists. Significantly, in the 1950s, there were more than 67,000 specials nationally, partly as a legacy of the war—now there are 14,000. Steps have been taken to improve the recruitment of specials in recent years, but the number is still far lower than it used to be. As part of our big society agenda we should consider how to encourage volunteering to a greater extent. I have talked to a number of specials. I gave the awards at the National Policing Improvement Agency specials awards ceremony a few weeks ago, and it really came home to me just how much specials can add to the mix of policing. There is potential for expansion in that regard.

The hon. Gentleman asked whether I knew about Street Pastors. Yes, I do. I have seen them in action. I went out with Portsmouth police a couple of weeks ago to look at the problems that they have policing the so-called night time economy. Street pastors were engaged with police officers as part of the presence on the streets, doing an important job dealing with people who needed help and preventing the police from being diverted from law enforcement duties. As part of the volunteering mix, and as part of the wider police family, street pastors play a real and important role, which I understand the hon. Gentleman values locally.

The hon. Gentleman mentioned the importance of local leadership and singled out Inspector Beasley for having led the increase in confidence in neighbourhood policing in his constituency. I understand how important it is to find local leaders like that, who commit to neighbourhood policing and build confidence in the local community. Last week I met a highly motivated inspector in Greater Manchester police who has been involved over a long period in building neighbourhood policing in a difficult part of Greater Manchester—the Gorton estate—where crime has been a significant problem. Much has flowed from his commitment and enthusiasm, his dedication to the area and his determination to bring policing partners together, get people around the table and get the community involved. It is important to ensure that such motivation is encouraged. It is a challenge for chief constables to ensure that they are retaining and recruiting such talented police officers.

Ian Lucas: Does the right hon. Gentleman agree—I think he does—that one failing of politicians in the past is that we have not promoted sufficiently the good work done in community policing? There was a time when community policing was not regarded as being at the forefront of policing work. I am glad to hear that the Minister thinks that that has changed.

Nick Herbert: I agree. There was a move away from community policing in the past and we forgot the fundamental principles on which policing in this country was founded. We have now returned to an understanding of the importance of neighbourhood policing, backed with significant resources. I commend the previous Government for moving in that direction, which was a return to the kind of policing that the public want to see, although it sometimes took a certain amount of time for opinion in policing circles to follow. Neighbourhood policing was regarded by some as a kind of add-on—an accessory that did not necessarily help in the fight against crime, or something that they felt they ought to do. It is important that we value neighbourhood policing, and important that effective neighbourhood policing is celebrated.

The hon. Gentleman is concerned about funding. I understand that. There are two main issues to do with ongoing funding. First, the Government have had to announce funding changes in-year as part of the contribution to reducing the fiscal deficit and to paying down the deficit by £6 billion. The Home Office took a disproportionate share, in terms of the savings that we made in the Home Office centrally and in the central policing bodies. Nevertheless, police forces, which represent the lion's share of the Home Office's spending, had to play some part, so we asked them to reduce their

[Nick Herbert]

spending in-year. The reduction is less than 1.5% of what police forces are spending this year, but it is a challenge because they have to make an in-year saving. However, most chief constables—I have discussed this with them collectively, including the chief constable of North Wales—understand that it has to be done. We have been urging them to do everything possible to protect the front line and to make the savings in efficiencies of the kind that we have made in the Home Office: cutting wasteful expenditure and bearing down on things that do not need to have money spent on them, so that they can retain recruitment and protect those front line services that are so important.

North Wales police had a £1.2 million cut in revenue and capital spending, but the force will still receive £900,00 more than it received last year and its overall estimated revenue expenditure—the total amount that it will be spending—last year was £157.7 million. As a proportion of that overall revenue spending, the amount that it is being asked to cut in-year is 0.8% of expenditure. I think that most of us would conclude that an organisation ought to be able to make savings of 0.8% of the total amount that they spend by finding the kinds of savings that I have suggested.

The second concern about funding relates to the Chancellor's announcements in the Budget about spending and the savings that are required to be made in Departments in the four-year period of the comprehensive spending review. The Chancellor has indicted savings in the non-protected Departments, including the Home Office, of 25% in real terms over four years. None of us doubts that that would be a challenging figure. Again, as the major component of spending, policing would have to play its part. We do not know what the outcome of the CSR will be. Therefore we do not know what share policing will have to bear.

Last week at the Association of Chief Police Officers conference in Manchester we discussed extensively the kinds of things that we want to see happening to protect the front line. For instance, we want greater sharing of services between the 43 forces, where I believe there are significant savings to be made through centralised procurement and greater collaboration. The Government will play their part by doing everything possible to cut bureaucracy to ensure that there is less paperwork for police officers to do, so that they are not tied up in police stations. We want the police to be crime fighters, not form writers, so we scrapped the remaining central target in relation to policing and the central pledge. We will look again at the police performance framework, which is administered by Her Majesty's inspectorate of constabulary, to ensure that police officers can be free to do the job that we want them to do, and we want to reduce costs, which are considerable, in terms of compliance with all the top-down targetry that exists.

Considerable savings can be driven out of police forces and they can make savings individually and collectively. We are working with ACPO to look at how that will be possible and what role the Government can play in securing those savings. I assure the hon. Gentleman that, although policing is entering challenging times, we are committed to ensuring that, as far as possible, police officers will remain visible and available in their communities. We understand that that is what the public want.

Ian Lucas: Will there be fewer of them?

Nick Herbert: The hon. Gentleman knows that we cannot give guarantees about numbers. The previous Government could not do so. During the general election, on "The Daily Politics", the previous Home Secretary refused to give a guarantee on numbers. We can no longer play the numbers game. The test of an effective force is not just the numbers of people working in it. We have to consider how we might ensure that front line availability is increased by considering what roles civilian officers could perform in police forces—for example, whether they could do not just bank-room jobs, but policing jobs, such as contributing to detective work that does not necessarily need sworn officers. We will be able to promote innovative working practices as well.

We cannot give any guarantees about numbers, but I can assure the hon. Gentleman that we will do everything possible to create the conditions that enable chief officers to protect the front line. We understand that that is what the public want and that that is their priority. We understand the value that the public attach to visible and available policing and, from the Government's point of view, we will do everything that we can. However, it is for chief constables to decide on the right work-force mix in their forces and it is for them to take decisions and ensure that they are delivering effective value for money, given the available resources. There are not limitless resources for policing—there never were—and the situation is tough.

2 pm

Sitting adjourned without Question put (Standing Order No. 10(11)).

Westminster Hall

Wednesday 7 July 2010

[MR CLIVE BETTS *in the Chair*]

Fuel Poverty (Rural Britain)

Motion made, and Question proposed, That the sitting be now adjourned.—(*Mr Goodwill.*)

9.30 am

Dr Thérèse Coffey (Suffolk Coastal) (Con): First, I thank Mr Speaker for granting what I hope will be an important exploratory debate. I welcome the number of contributions that we shall hear, and I am delighted that after such a late sitting last night, so many people are still interested in fuel poverty in rural Britain.

Fuel poverty is defined as when someone spends more than 10% of their net income on fuel. As we know, the main contributory factors are a low income, the high price of energy, high energy consumption or houses with low energy efficiency. There have been plenty of debates and petitions on the subject, but I felt that it was important to raise it again at the start of this Parliament and in advance of the spending review, so that Ministers understand the concerns of their constituents in rural areas.

Yesterday, the Commission for Rural Communities published a report entitled, "The state of the countryside 2010", which made specific reference to fuel poverty, and noted that things are getting worse rather than better. Across the House, we must recognise that fuel poverty has continued to increase rather than decrease, and we need to look for radical solutions to change that. Instead of an ambitious strategy of eliminating fuel poverty for vulnerable households by 2010, the number of households starting to enter fuel poverty has risen from about 2.5 million to about 5 million.

I recognise that this is a devolved matter, and that the Welsh Assembly Government and the Scottish Government have their own schemes. It is important to learn from some of the shared issues, and look at how different challenges are approached.

Roger Williams (Brecon and Radnorshire) (LD): The hon. Lady is right to say that some of the issues that we will debate this morning are devolved. However, other issues such as competition policy are not devolved and are matters for Westminster.

Dr Coffey: I recognise that there are issues such as competition, and the impact made by Calor Gas was a successful change. The Office of Fair Trading is monitoring the situation to assess its effectiveness. At some point in the near future, we should like a review to see whether that change has worked, or whether people are still in what is effectively a false market. From speaking to some of my constituents, I understand that the change has allowed them an element of choice, whereas before they were handcuffed to one supplier.

My constituency of Suffolk Coastal has 17% fuel poverty, which is slightly lower than the national average where about one in four rural households face fuel poverty. I should perhaps declare—although I was told that it was not a declaration—that I am off the gas grid and reliant on oil for central heating in my rented cottage in Westleton. I want to focus on people who live with no access to the gas mains, even though 20% of them live within a mile and a half of national gas connections, and I welcome some of the efforts made by the National Grid Company to start connecting more households. All hon. Members share concerns about people who are reliant on oil, solid fuel and liquefied petroleum gas, as that is where the problems lie.

In 2009, in a parliamentary question, the Government were asked what they were doing to tackle fuel poverty, and the answer was Warm Front. However, I am afraid that Warm Front is not working in areas that are difficult to reach, and that is reflected in the evidence gathered by various organisations. Time and again, people in my constituency—or other hard-to-reach areas, such as the constituencies of some Members in the Chamber today—are losing out in such schemes. There has been limited success, and I recognise that some energy companies have been kicked and told that they must start doing something about the situation, but these are early days and we need to kick even harder.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): I congratulate the hon. Lady on bringing this subject before the House. She makes an important point about the difficulties and challenges in rural areas. Is not one of the added challenges the fact that so far, schemes have tended to come up with the simplest way of making a house more efficient? It is right to make efficiency a priority because relying on prices proved a mistake for the previous Government. However, in rural areas, much of the housing stock is not constructed in such a way that it is easy to make it more efficient. Any scheme must be far more robust and long-term to transform such houses into places where people can live without fuel poverty.

Dr Coffey: My hon. Friend is absolutely right. The extent of solid-wall housing is a particular issue that cavity insulation fails to address. It is mainly prevalent in rural areas, but also in London where the challenge is damp Victorian houses. Instead of national schemes, I would like the Government to consider more local schemes and ensure that any grants available address local needs. My constituents, and many others, would then be able to access help that is relevant for them, rather than being told either that they do not qualify for a scheme, or that a scheme is useless for them. Such local schemes would be welcomed by people who feel that they are on the fringes of society when it comes to Government help on this issue.

Andrew George (St Ives) (LD): The hon. Lady is making good progress on this matter. She mentioned Warm Front, which was a national scheme, and the need for a better, more tailored local delivery. Does she agree that one of the biggest problems with Warm Front—although it was set up with the best of intentions—was the usual difficulty that Governments face due to the strange and highly centralised method of public procurement, which means that they have to narrow down and reduce the number of companies with which they can contract? Therefore, the prices for much of the work undertaken are astronomical and much higher than they would be if provided by a local small company.

Dr Coffey: My hon. Friend is right. The issue is particularly prevalent in rural areas, where prices have meant that less work can be done with the available grant. One of my constituents suggested that I promote a private Member's Bill on making sustainable energy more local, and I hope that the Government will address that point by absorbing elements of that idea in their thinking on any future schemes.

Many hon. Members are present, so I will move on and speak a little about the market. I recognise that Calor Gas and similar LPG suppliers provide an opportunity for people to heat their houses without having everything provided electrically. A premium is paid for that because of the delivery method. However, I would like LPG suppliers to go further, to challenge their efficiencies and work with particular groups to ensure that the people they serve receive the best value possible. Micro combined heat and power boilers are being developed, and I would like more investment in technology so that we can address those kinds of problem.

There are no social tariffs for oil or LPG, and it is challenging to think about how they could be created for the relatively small group of people who access that type of fuel. I could argue that we should receive some money from the mains gas and electricity companies to redress the balance. I am pleased that people can now hold a post office bank account or, if they do not have access to that, can get a direct debit discount. Without straying too far from the subject, dare I say that the number of post offices in my part of the world has reduced dramatically over the past 10 years? That presents its own challenge.

I understand that at least one company, EDF Energy, offers dual fuel discounts to people who have access only to electricity rather than electricity and gas, although I do not know how much the company advertises the discount. I will do my best in forthcoming weeks to advertise it to my constituents—I might take up the offer myself. I was not aware of it until I spoke to somebody from EDF Energy yesterday.

There are things the market can do. I recognise, though, that as the price of social tariffs or similar measures add costs to industry, they end up being paid for through increasing fuel prices. However, it is an important part of social responsibility to ensure that people in rural areas are not freezing to death and being ignored.

In terms of the Government, I hope that we shall see a change in the balance of schemes. I have talked about more local solutions. I want any possible future investment to be rebalanced in favour of rural schemes and—dare I say it?—not just for people on benefits. A number of people just miss out here or there, but like everyone else, they still need to heat their homes. The cost of oil goes up; the cost of LPG is going up. That is hurting more and more people. We are trying to reach some of the communities that have never been on benefits and do not necessarily want to start now—it is an element of dignity for them. By the way, I want to correct a misconception. Although fuel poverty affects a number of pensioners, and two thirds of my constituents are, I believe, over 60, it affects people of all ages, including people with young families. We need to remember that.

What else am I looking for? We are expecting £6,500 grants, which will be repaid through efficiency savings in fuel bills. I would like rural people to be able to access higher up-front cash advances, because if people have an oil central heating system, they cannot switch suddenly to photovoltaics and everything is fine. They have to rip out the entire heating system and put in a brand-new one.

Such measures would help the people of Suffolk Coastal because our climate is similar to that of Jerusalem. It may not be sunny every day, but there is plenty of sun and little rain. We are missing out on marvellous resources all around us, because the amount of cash that we need to spend up front to change our systems is just prohibitive. Bold thinking, rebalancing in favour of rural communities and tailoring solutions to allow local people to make the decisions that best suit them, rather than having top-down schemes, are some of the issues that I want to raise today in addressing fuel poverty in rural Britain.

9.41 am

Albert Owen (Ynys Môn) (Lab): I congratulate the hon. Member for Suffolk Coastal (Dr Coffey) on initiating this very important debate. It is also timely, given the election of a new Government. I have already been in correspondence with the Department of Energy and Climate Change and I shall come to that in a moment.

I want to start by pointing out that this issue is about rural Britain—the periphery areas of Great Britain and Northern Ireland. The periphery area that I represent in north-west Wales suffers from a double whammy: most of the household customers pay extra for their fuel, but they also pay extra fuel costs for their transport. We have had a number of debates on the issue in this Chamber, and I appreciate what the Chancellor of the Exchequer said in the Budget about looking at rural areas and pilot schemes whereby transport costs and the price of petrol at the pump can be considered. Pilot schemes should also consider rural areas on the periphery of the United Kingdom when it comes to energy prices and energy costs as well. That is what I believe the hon. Lady was developing in her argument.

Periphery areas are a special case. I do not accept that in the 21st century, areas on the periphery should have to pay much more in fuel costs. I know from having the port that is the gateway to Ireland and Wales in my constituency that Northern Ireland's problem is compounded by fuel smuggling from the Irish Republic. Fuel is smuggled in and out of the United Kingdom via the south of Ireland. There are huge problems that we need to grapple with.

I have campaigned to reduce both the cost of petrol at the pumps and the cost of energy supplies to homes. People living in periphery areas and rural areas are being ripped off. The hon. Lady says that she wants to give the companies a kicking. I will join her and I think that all of us should, because mass profits have been made by many of the companies over a long time and the people who are paying for it predominantly live in the rural areas of Britain. The market is letting people down badly in those areas.

All that my constituents and those of the hon. Lady and every other hon. Member in the Chamber are asking for is a level playing field. Yes, they want reduced costs, but they want to pay the same as people in urban areas and other parts of the United Kingdom, and importantly they want choice. Quite often in isolated rural areas, people just have the choice of propane gas,

coal or other things. Off-grid areas do not have access to mains gas and are losing out. The market says that it will provide choice to customers, but in rural areas they simply do not have that choice and they are penalised for it through the price that they pay. That limited choice and paying more for fuel is a huge problem.

I said that I had already raised the matter in correspondence with the Department, and I first did so at business questions, when I asked for a debate on the issue. A debate in Government time would be very much welcome in addition to this important Adjournment debate. I have had, over many years, helpful responses from Energy Ministers and progress has been made. Warm Front is a good national project that has helped an awful lot, and good energy efficiency measures are available. I am certainly familiar with what has been done by the Welsh Assembly and I know that other devolved Administrations are working on the issue, too. This Parliament, local government and the Welsh Assembly can work together with the distribution network to ensure that we get better services to people in these areas.

In the very helpful reply that I received from the Minister of State, Department of Energy and Climate Change, the hon. Member for Wealden (Charles Hendry), he said that he recognised that more needed to be done. One option that he came up with was a further roll-out of energy efficiency measures. I disagree with the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith), who said that we have been concentrating just on price. Huge amounts of money have been invested in energy efficiency measures. In my constituency, most of the houses have been done, and to a very high standard, but the price is the issue.

Sir Robert Smith: The hon. Gentleman is right to say that the price is the issue. The problem was that in the early days of the previous Government, because of the way in which the market was working, prices for domestic gas were falling so dramatically that people were coming out of fuel poverty and it seemed as if the job was being done. Then the price started to go up relentlessly and it became clear that much greater work should have been done in the good times to make the housing stock more efficient, rather than responding after the fact.

Albert Owen: I agree partly with what the hon. Gentleman says. It is easy to be wise after the event. He will remember that at the time we were in the "dash for gas", gas was relatively cheap across the whole United Kingdom and our eye was off the ball, because people were getting cheap fuel. Yes, more could and should have been done then, and it should have been done over the past 13 years. I hope that more will be done over the next few years to ensure that we alleviate fuel poverty in rural areas.

The Minister told me he was involved in the option of promoting renewable heating, which is another important way forward. Although I shall argue for the gas network to be extended throughout the United Kingdom, we need, particularly with the low-carbon economy that we are moving towards, to consider renewables. Geothermal energy is important in many areas. It would be helpful if new estates and new housing, including affordable housing, such measures installed at the construction stage.

In my constituency—I am sure that other hon. Members have experience of this—many of the problems are not just with stone houses that are a century old or more, but with estates that were built in the 1960s and '70s, where the developers simply did not put gas mains in and did not provide for up-to-date fuel, leaving people on the periphery of the gas mains area. I am sure that at that time people would happily have paid for access to the gas mains from those properties, and it would have been a selling point for the builders, who were very short-sighted.

When I talk about areas off the grid, I am talking about not individual isolated properties but more often about small villages, towns and hamlets that are a short distance from the mains. There are issues about getting the pressure to the level needed but, again, I am sure that in the 21st century that can be done relatively simply.

Mr Mike Weir (Angus) (SNP): Does the hon. Gentleman accept that there are two problems with that? First, there are many rural areas where the gas main will simply never go, because of practical difficulties. Secondly, in an era of rising gas prices and a possible shortage of gas, does he believe that gas is really the way forward for dealing with rural fuel poverty?

Albert Owen: I welcome that intervention, but that is not the point that I am making. I am saying that we should have renewables as well. Areas close to the gas mains should be offered a choice. I have seen the price differential between the bills of people who are off the gas mains grid and people who are on it, and it is simply wrong and unfair that some people are paying so much more.

Andrew George: I agree with the hon. Gentleman. He will be aware that the level at which ground source heat pumps are sold does not ensure cost efficiency for homes. In fact, the payback period required is 25 to 40 years, and we will achieve something only by rolling things out in larger numbers. However, given the hon. Gentleman's excellent record in arguing this case, does he share my disappointment that the previous Government failed to support—indeed talked out—the Fuel Poverty Bill introduced by my hon. Friend the Member for Somerton and Frome (Mr Heath), whose private Member's Bill included many of the measures for which the hon. Gentleman is arguing?

Albert Owen: The hon. Gentleman knows me well enough to know that I would not pander to the previous Labour Government when they were in office, and I will certainly not try to defend their record now when I think that it is wrong. The hon. Member for Somerton and Frome (Mr Heath) has an excellent record on this issue, and now that he is in the Government I hope that he will able to use greater leverage on Ministers to ensure that measures are introduced. As Deputy Leader of the House, he is in the privileged cross-governmental position of being able to bring everyone together to get things done as soon as possible, and he will get my 100% support in doing so.

In his helpful letter to me, the Energy Minister said that some schemes are working and that Ofgem has made progress on connecting vulnerable households to

[Albert Owen]

the gas networks by encouraging large gas distribution networks to work with agencies to produce results. He said that about 20,000 households would be connected to the grid by 2013, but we simply do not have the agencies or the local authority initiative in my area, so there is no lead partner. I urge the Government to look at that, because we need a thrust from central Government, and from regional and national Government in Wales and Scotland, to push the issue forward. I acknowledge that there are many excellent energy efficiency measures, and I repeat that the Welsh Assembly Government have an excellent record in this field and are taking fuel poverty and their part in dealing with it very seriously, but we all need to work together.

The boiler scrappage scheme was useful in helping many people to replace equipment. That is a big issue, and the hon. Member for Suffolk Coastal is right that there are a lot of associated costs with changing to another source of energy and not least to another supplier. People have to remove the gas storage equipment in their properties, which is costly, although some companies will take over that cost because they will get the business in the future. However, when people apply, they are hampered by additional costs, so the process is not easy. People feel trapped with their supplier, which is putting an extra cost on them.

Dr Coffey: This is a genuine question. I was under the impression that rules had gone out saying that universal connectors now have to be supplied, so there is no issue about equipment staying. That is part of the new deal.

Albert Owen: Things certainly have improved, but the change has not been advertised very openly. When people were approached in the past, it is clear that they felt trapped. The customer needs clarity to ensure that they can get a better deal from a different supplier.

The core of the problem remains the cost of domestic fuel, particularly in rural areas and areas on the periphery, and that is why the debate is so important. A constituent in her 80s who came to see me in late May was very grateful for the additional Government support that she received through the winter fuel allowance, which helped to alleviate some of the problems that she faced, but she was still paying huge amounts for her propane gas. From 2008 to April 2010, her company supplied her at a unit cost of between 45p and 51p per litre. That gave her an average quarterly bill of between £400 and £700, which is an enormous amount for an elderly person living on her own in an older property. The property and the dozen like it on the same small estate are not that old, but I was astonished to find that the properties that did not have access to mains gas were all paying different prices to the same supplier. The households had to go through something like an auction to get the basic unit cost down—they had to negotiate.

I raised the issue with the company. In addition to the unit cost, there was the cost of associated charges such as the standing charge and gas surcharges, which took the price up considerably. When the company replied to the correspondence I had sent on behalf of my constituent, it said that the variations were due to the geography, the seasons and the type of agreement, but I am talking about households in the same estate paying different prices.

Those issues need to be looked at, which is why I want to move on to the excellent campaign by Which?, the consumer group, which is looking for greater transparency in energy prices. The old chestnut from many of the suppliers and fuel companies is that the retail price is linked to the wholesale price. When wholesale prices go up, the companies say that they are forced to put their retail prices up, but when wholesale prices come down, companies say that the system is very complicated and sophisticated, and it does not necessarily follow that the retail price is linked to the wholesale price. We therefore need greater transparency.

I am asking for a breakdown from suppliers to show exactly the amount of bulk gas that they get at wholesale prices and what they pay for it. Some of the electricity companies, and the companies that supply gas and electricity, are now more open and transparent, and they are gaining from that—greater transparency is in the interests of the suppliers, as well as the consumer. The Committee of Selection is meeting today, and as a member of the new Select Committee on Energy and Climate Change, I will push for greater transparency so that we can see exactly the link between wholesale and retail prices. That is an important move forward, which would benefit consumers, particularly in rural areas, and I would welcome it. The Government should be encouraged to work with the consumer watchdog to bring about greater transparency.

I know that a number of Members want to speak in the debate, and I do not want to detain them, but I have concentrated on off-mains gas areas because they are being hit particularly hard, and we need to look again at extending the network; indeed, hon. Members in previous Parliaments raised the issue. The irony is that although my constituency is on the periphery, I am promoting the concept of an energy island because we have energy generation in the area. We have a nuclear power station and wind farms, and we welcome both because they generate employment and contribute to the United Kingdom's energy security. We also have projects that are looking at tidal energy, so we are well positioned to provide the new renewable energy that the Energy Minister told me was a way forward. However, although the Wylfa power station in my constituency supplies more than 30% of energy in Wales, some people living in close proximity to it pay some of the highest prices in Wales for their energy because they do not have the opportunity to use the gas network and they do not have the same choice as many people in non-rural and urban areas of the United Kingdom.

I welcome the response that I received from the Energy Minister. He is a sincere man and he will work with the Deputy Leader of the House and others to ensure that we get a good deal for people in my constituency, in peripheral areas and in rural Britain. Once again, I congratulate the hon. Member for Suffolk Coastal, because this is a hot subject. It needs dealing with now, and I hope that we can move forward.

Several hon. Members *rose—*

Mr Clive Betts (in the Chair): Order. Five hon. Members are indicating that they want to speak, which means that they have about eight minutes each if we are to get the winding-up speeches in. I cannot insist on that, but it would be helpful if hon. Members bore it in mind.

9.39 am

Tim Farron (Westmorland and Lonsdale) (LD): It is a pleasure to serve under your chairmanship, Mr. Betts. I pay tribute to the hon. Member for Suffolk Coastal (Dr Coffey) and congratulate her on securing the debate, which is incredibly important for a range of reasons, many of which were set out by the hon. Member for Ynys Môn (Albert Owen).

One important reason to discuss the issue is the incorrect assumption made, I dare say, throughout Whitehall and other places that rural areas are affluent. That is a staggeringly inaccurate assumption, but it is understandable, based on the headline figures. My constituency has the second lowest unemployment in England—I probably should not say that out loud; we will be off the list for every grant going—and average house prices are £250,000. So far, so good, but the largest number of jobs available in my patch, which I suspect also applies for many hon. Members present, is at the minimum wage.

The average wage is about £18,000 a year, which means that the gap between house prices and average incomes is the largest outside the south-east of England. We have only 3,500 council homes left, following the foolish and damaging sell-off of the 1980s, with a waiting list of 5,000. All that means that although benefit uptake is low in the south lakes, the incidence of poverty, housing need and, especially, fuel poverty is extremely high—above 20%. In addition, the average age is 10 years above the national average. Many people who live in the communities that I represent are retired and do not, therefore, appear in unemployment figures, but they live in real poverty.

It is vital that the Government should understand that fuel poverty is more likely in rural communities because of the age of the housing stock, which has been explained by both hon. Members who have already spoken. I shall not go into further detail, except to say that homes are harder to insulate the older they are, and if they have no cavity wall to fill.

In addition, as we have heard, many homes in rural, sparsely populated areas are off the mains for gas, and sometimes even for electricity, and are much harder and more expensive to heat. However, although villages such as Hawkshead, Coniston, Grasmere, the Langdales, Dent and other areas in my constituency are rural and have an elderly housing stock, it is important to remember that many of the larger towns—larger, that is, by our standards—such as Kendal, which is a huge metropolis of 14,000 to 15,000 houses, have benefited hugely from Warm Front. It is important not to knock it too much. It did the easy things quickly and tackled fuel poverty among some of the poorest families. The areas they were living in might have been built-up, but they were not necessarily in urban areas.

Those homes were built in a way that enabled Warm Front to get at them quickly to insulate cavity walls and so on. It is important to celebrate easy, quick wins. The Government need to get plenty of those, too, in their first few months in power. I want the Government to build on Warm Front, not sweep it away thinking it has done damage—it has not.

There are great opportunities in rural communities—to build on something that the hon. Member for Ynys Môn said—for the provision of renewable energy resources, which can be enormously beneficial to the wider country in tackling climate change and creating energy security, which has also been mentioned. However, there is also an economic benefit to the struggling communities that are served.

I want to get in a word for my county. Cumbria has the fastest-falling water in England but only six plugged-in hydro schemes. That is scandalous, and I would like the Government to redress the situation quickly. Last week, I met a team from Kentmere, the charitable trust running the Kentmere Hydro project. The 350 kW scheme has the full backing of planners in the national park, which is staggering. It also has the backing of the community, which is less staggering. The one thing that could hold the project up, of course, is finance.

The trust is not looking for handouts, particularly at this time, but I ask the Minister to make it clear that the green investment bank announced by the Chancellor will be able to provide loan finance for such charitable trusts, and that those trusts will be able to qualify in their bid for feed-in tariffs. That community project could be replicated across rural Britain, as long as there are clear signs of active, practical encouragement from the Government. The same applies to anaerobic digestion. I hope that the Government will back anaerobic digester start-ups in rural communities as a way to generate income and green energy from waste.

I spoke last week to an older couple living in the Lake district, whose income is just under £10,000. They spend £2,000 a year on council tax and just over £2,000 a year on fuel. They are very typical. Their plight is worsened by the price of petrol. I urge the Minister to consider the impact of fuel duty on rural communities where little or no public transport is available and there is no choice for many people, however poor they may be, but to use the car.

I am sure that other hon. Members know, as I do, many people who must make the appalling choice between petrol in the car or food on the table. I welcome the Government's investigation of rural exemptions on fuel duty, and of course I call for Cumbria, the Lake district and the dales to be included in any such pilot.

The key factor behind all fuel poverty, as we all know, is the cost of fuel. That is why it is vital that there should be further social tariffs covering all fuel systems—not just mains fuel systems—and moves to ensure that the cheapest unit costs are the ones that people pay for first. As things stand, an elderly couple in fuel poverty heating their cottage in Grasmere could easily pay more per unit for the energy they use than a City banker heating his luxurious second home next door. If I had a fiver for every time a politician said we are living in difficult times, I could probably pay off the national debt, but however fair the Government try to be in reducing the deficit, these difficult times are bound to be most difficult for those in the most marginal financial situations. That is why the Government must demonstrate that they will go out of their way to eliminate fuel poverty, especially in rural Britain, and that they will take practical steps. Otherwise, a bad situation could get worse.

10.6 am

Mr Mike Weir (Angus) (SNP): I am very pleased to take part in the debate and I congratulate the hon. Member for Suffolk Coastal (Dr Coffey) on obtaining it. This is an important issue. I was interested in the concept of building a new Jerusalem in Suffolk Coastal.

[Mr Mike Weir]

I have raised the issue of fuel poverty many times in Parliament and the stock answer that I normally get from Ministers about off-grid gas is that they are taking action to ensure the extension of the gas grid. However, in reality, many of my constituents will never have access to the gas grid. It will never go to the glens of Angus, or to many other parts of rural Scotland, especially the islands, however much it is extended. There is no option for those constituents but to rely on liquefied petroleum gas, home fuel gas or some other alternative fuel. It has been estimated that some 4.3 million consumers—mostly, but importantly, not exclusively in rural areas—are not on the gas network. In some areas, although the gas network is technically available, the cost of connection to it is prohibitive and people cannot do it.

Consumers who are off the gas network face particular problems. A typical gas bill is now rising to around £1,000 a year, but it has been estimated that those who are off-grid face bills of about £1,700 a year. That is a significant difference. I refer hon. Members to the table in the report on fuel poverty produced just before the general election by the Select Committee on Energy and Climate Change. It relates only to England, but it shows the extent of the problem of cost between different fuel sources.

Sir Robert Smith: Does the hon. Gentleman think that the differential could become a more serious problem? Given the changing nature of the world market for natural gas, with shale gas and liquefied natural gas potentially bringing the price down in Europe, and if we ensure that the market works and those on the gas main get the benefit of a lower gas price feeding through, it will be all the more important to tackle the situation for people who do not have mains gas, because fuels such as oil and coal are not necessarily following the market down.

Mr Weir: The hon. Gentleman makes an excellent point, but there are other pressures, not least climate change, against the extension of the use of gas. The Government are only now considering the decarbonisation of the gas supply and generation from gas. Many issues arise in connection with that.

There are many excellent schemes to help with insulation and energy efficiency, and many homes in rural areas are hard to treat, which exacerbates the situation. The Select Committee report noted that Ministers in the previous Government said that they were very enthusiastic about innovative technologies to tackle the problem, but we expressed disappointment at the slow pace of implementation. I do not think that the Government have yet responded to that report, and it will be interesting to hear what the new Minister has to say.

As has been mentioned, people who are off the grid do not have the same access to the social tariffs as mains gas customers. I accept to some extent that they have access to electricity tariffs, but many off-grid consumers use home fuel oil or LPG as the main fuel for heating their homes and water, and that is likely to be the major part of their energy spending. They do not get the full benefit that others do for those things.

The Department's annual report on fuel poverty statistics for 2009 states:

"The highest proportion of fuel poverty is amongst households without gas, where nearly 23 per cent of households are fuel poor, compared to around 17 per cent of both standard credit and pre-payment meter customers."

In Scotland, the situation may be slightly worse because of geography and the lack of a grid in the highlands and islands. The latest Scottish house conditions survey states:

"Households that use electricity, oil or other fuel types (such as coal or peat) are around twice as likely as those who use gas to experience fuel poverty. Also, those who use... 'other fuel types' (not gas or electricity) are more than twice as likely to experience extreme fuel poverty than gas users".

I understand that the number of off-grid customers in fuel poverty in Scotland is around 116,000—about 47% of all who are off-grid.

There are other problems than price. For example, in many areas customers have to make an up-front payment to get a supply—and many suppliers demand a minimum supply quantity. That can be a substantial sum, and those on low incomes cannot afford to pay up front. That causes another problem—people may be forced to go without as a result.

Those who use gas or electricity will have pipes and so on coming to them, but those who use some of the alternative fuels find in bad weather that it is difficult to get a supply. It is interesting to note that in the recent harsh weather the Department for Transport had to allow a derogation from the driving hours regulations to enable deliveries to be made in many parts of Scotland and northern England. However, this is a long-running issue.

At the conclusion of consideration in Committee of the Energy Act 2008, the Energy Minister, the former Member for Stafford, arranged a meeting of representatives of the various bodies concerned with the matter. There seemed to be a willingness to consider things, but frankly the problem lies in difficulties caused by the nature of the market, which has already been touched on. That market is very different from that for domestic gas and electricity, and we need to find ways around the problem because those consumers have fallen through the cracks.

The domestic electricity and gas market is dominated by the six big energy companies, and it is easy to get social tariffs from them. The market for other fuels is much more diffuse and difficult to regulate. However, in many areas I would question whether there is real competition, as there is effectively only one supplier. With recent amalgamations in Scotland, the situation is getting worse. We need radical solutions to tackle the problem.

The Minister may remember that, during consideration in Committee of the Energy Act 2010, I suggested how the matter might be dealt with. Section 10 of the Act allows the Secretary of State to introduce a reconciliation mechanism, such that if one company had more fuel-poor customers than the others, it would not be particularly badly hit. The burden would be spread among all companies and, as far as possible, each would meet an equitable amount of the cost of meeting their obligations under the social tariff.

That principle is a good one, and it could be extended to cover all fuel suppliers, allowing a general sharing of the cost of meeting the obligation to help the fuel poor. Because of the difficulties in that particular market, it would not be easy to introduce individual social tariffs, but a general reconciliation mechanism would bring suppliers within the ambit of the scheme. Allowing the overall cost to be shared between all the energy suppliers would enable us to make progress and extend the social tariff concept to that disadvantaged group.

That is a radical way to deal with the problem. Otherwise, it will always be filed under the "too difficult" heading and nothing will be done. Such a mechanism would ensure that the cost were shared more widely—as the benefits would be. It would ensure that all energy suppliers could operate equivalent social tariffs for all their customers, whether they used electricity, gas or other forms of fuel. In what the hon. Member for Westmorland and Lonsdale (Tim Farron) said are troubled times, Ministers might be attracted by the fact that it would have a revenue-neutral approach for the Treasury. It would not impose a greater burden on the taxpayer, but I can already hear the howls of protest from the major energy companies. However, it would deal with what has become a most intractable problem.

As was suggested by the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith), the problem will get worse. Whether we like it or not, the price of fuel will continue to rise as we try to move to a low-carbon economy. We will effectively be subsidising various renewables and possibly—and unfortunately—nuclear power, which will have an impact on all electricity bills. I ask the Minister to consider the suggestion.

In another aside—I realise that this is strictly not within the Minister's brief—the Select Committee report suggested that we should consider how the winter fuel payment is made. It is paid in the winter, the most expensive quarter. For many off-grid customers, winter is not the best time to be given that money. If they were to receive it earlier in the year, they could buy oil or other fuels in bulk when they were cheaper. That would allow them to stockpile for the winter. Staggering the payment for off-grid customers would allow them to take advantage of cheaper prices. Again, importantly, it would be revenue-neutral for the Treasury.

I am trying to be helpful to the Minister by not simply calling for more spending; I am calling for us to consider things in a new way and to look at more radical solutions. If we do not, we shall continue to file the problem under the heading "too difficult" and nothing will happen to help those people. That would be a wasted opportunity, and fuel poverty would continue to increase in rural areas throughout the United Kingdom.

Several hon. Members *rose—*

Mr Clive Betts (in the Chair): Order. Before I call the next speaker, I should say that it would be really helpful if Members limited themselves to eight minutes.

10.16 am

Dr Sarah Wollaston (Totnes) (Con): I congratulate my hon. Friend the Member for Suffolk Coastal (Dr Coffey) on securing the debate. Many hon. Members have suggested solutions to the problem, but I want to emphasise a particular reason why the Minister and the House should be concerned. It is the excess of winter deaths. The fact is that 36,700 more people died in the winter of 2008-09 than expected. Even more worrying is the fact that, of the most vulnerable—those aged 75 and over—29,400 more died.

We do not have figures for excess winter deaths last year, which is unfortunate as it was a very cold winter. The figures are calculated by taking the number of deaths over the winter and comparing them with figures for the previous autumn and the summer, to the end of July. We will have those figures at the end of the month, and I expect that we will be in for a further shock. However, the figures for 2008-09 were themselves shocking, being the highest for a decade.

It is an interesting phenomenon that the further south or west one is in Europe, the higher the excess—between 5% and 30%—but we have a particular problem in this country. A study in the *British Medical Journal* found that a prime reason was the inadequacy of housing; it considered whether improving housing and heating would protect vulnerable people. Of course there were many other reasons, but I hope that the Minister will consider why that problem is crucial.

Mr Gregory Campbell (East Londonderry) (DUP): What the hon. Lady says about the inadequacy of housing stock is important. Does she agree that in many regions of the UK the problem is not with housing associations or housing authorities, but with the private sector? Landlords are not always assertive in establishing whatever Warm Front schemes are available to provide better heated homes for the private-sector tenants.

Dr Wollaston: I thank the hon. Gentleman for that comment. Unfortunately, the *BMJ* study did not comment on that aspect, but it is an interesting point.

In the south-west, 11.7% of households, or 259,000 people, live in fuel poverty. It is a serious problem, and many Members have spoken about why that is the case in rural areas. Hard-to-treat housing stock with solid walls is a particular problem. The hon. Member for Westmorland and Lonsdale (Tim Farron) spoke strongly about rural households being disadvantaged because fuel costs for transport are so high. There is an inadequate bus service, which means that people have to travel quite long distances by car, thus putting them at a double disadvantage. Moreover, they are hit again by the fact that their housing costs are high. In my constituency, we have some of the lowest wages in Britain, so we are disadvantaged on all fronts. I hope that the Minister will address those points.

10.19 am

Mr Mark Williams (Ceredigion) (LD): It is pleasure to serve under your chairmanship, Mr Betts. In the short time available to me, I will emphasise some of the points that have been made. First, let me pay tribute to the hon. Member for Suffolk Coastal (Dr Coffey) for introducing the debate. The hon. Member for Totnes (Dr Wollaston) introduced a salutary note by speaking about why we are here. By stressing the need to avoid those winter deaths, she summed up the importance of this debate better than I can.

The 147 villages and hamlets across Ceredigion are subject to the monopolistic practices of the energy suppliers. In too many of our communities, there is simply no choice. Across Wales, 8% of all households are off the mains gas network. The Competition Commission has examined the issues surrounding liquefied petroleum gas, but we need a wholesale review of the energy market, as it is clear that there are some very real problems.

I am glad that we are debating rural areas so early in the Session. Rural constituencies face a package of issues, including an ageing population, the lack of transport, and an ageing housing stock, which are hard to remedy.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar (SNP): The hon. Gentleman mentioned the package of issues that face us. Some 53% of people in my constituency of Na h-Eileanan an Iar are in fuel poverty, which is the highest proportion in Scotland and probably the UK. Heating and transport are very expensive, which is why during the debate on the Finance Bill yesterday, some hon. Members might have heard me arguing for a rural fuel derogation. The issue today is about the winter fuel payments. My hon. Friend the Member for Angus (Mr Weir) made a good point about that, and I noticed the Minister taking a note about the issue of earlier payments. When making such payments, wind-chill factors as well as fuel poverty should be taken into account. Including wind chill would make a difference to my constituents.

Mr Williams: I am happy to endorse that point. Although I represent a coastal constituency and live on a cliff top, my experience cannot be compared with that of the hon. Gentleman or of his constituents, so I commend his proposal to the Minister. I concur with what has been said about the differential between retail and wholesale unit prices, and the lack of social tariffs. We are all aware that the Government have fewer resources to offer, but in commending what the hon. Member for Ynys Môn (Albert Owen) said about some of the schemes that have been pursued in Wales, I suggest that the Minister consult widely with the devolved Administrations to ensure that where there is good practice in England-only schemes, the Assembly Government can follow suit in a swift manner. After the announcement of the boiler scrappage scheme in England, a somewhat limited substandard scheme was launched in Wales very late in the day. In fact, the scheme was announced in April, when replacing boilers is perhaps the last thing on people's minds.

Albert Owen: In defence of the Welsh Assembly Government, they tried to amend the scheme so that the elderly and the vulnerable could apply for it. I thought that that was why we were here today—to protect the most vulnerable against fuel poverty. I thought that it was an excellent idea to limit the scheme to senior citizens and vulnerable people.

Mr Williams: I welcome that aspect, but I question its timing. That was the point I was trying to make.

Last December, a consultation on fuel poverty in rural areas was initiated by the Commission for Rural Communities—I do not know what my English colleagues would say, but some of us regret the loss of that commission because it has been an independent voice offering strong messages for those of us elsewhere. Its interim report offered some key points to consider. Some 50% of the UK's carbon emissions from housing come from hard-to-treat homes—off-gas, solid and non-traditional wall construction, high-rise or properties without a fillable loft or cavity. That is a huge proportion of the households that many of use represent. As we have heard, many of those hard-to-treat homes are in rural areas, and there is a clear need to take action to reduce emissions, tackle climate change, and reduce bills. In 2005, the figures got worse. Some 14.6% of households in villages and hamlets were living in fuel poverty compared with a national average of 7%. That is the background to the huge challenge facing the Minister.

Interim recommendations from the CRC report include updating data to improve its scope and definitions so that we have a clearer view of where the problems lie; improving data sharing; and, critically, learning from best-practice examples. As my friend, the hon. Member for Ynys Môn, said, the coalition Government need to prioritise certain pilot areas.

Although it seems hard to believe now, we had a particularly cold winter last year and cold weather payments were of great use to my constituents. However, I worry that the need for seven consecutive days of temperatures below zero may have distorted the payments. Despite experiencing very similar weather, towns and villages in the northern part of Ceredigion received three triggers while in the south just one trigger has been reached. Will the Minister look into that—again, that relates to the point made by the hon. Member for Na h-Eileanan an Iar (Mr MacNeil)—and say whether he is confident that the level of cold weather payments received truly reflects the problems people are experiencing on the ground?

Moreover, there are many people who were eligible for cold weather payments but who missed out on them altogether because of a failure to claim pension credit—the most recent figures show that between 1.1 million and 1.7 million eligible pensioners are not claiming pension credit. I will stop now, but there is much more to be said. The Chamber is aware of the enormity of the problem. It is good to see not just the Celtic nations but all the rural parts of this country represented in the debate. The Minister has a huge job on his hands and we look forward to what he will say in a few moments' time.

Several hon. Members *rose—*

Mr Clive Betts (in the Chair): Order. Let me say to hon. Members that I intend to start the winding-up speeches no later than 10.40 am.

10.26 am

Roger Williams (Brecon and Radnorshire) (LD): It is a great privilege to take part in this important debate. I congratulate the hon. Member for Suffolk Coastal (Dr Coffey) on securing it and I warmly welcome her to the gang. I am sure that her contributions will always be valued. Without prejudging the Minister's response, which will be very helpful, let me say that this is an issue to which we will return from time to time.

I shall concentrate on competition issues because they are clearly the responsibility of the Minister and his colleagues at the Department for Business, Innovation and Skills. When I was elected in 2001, I contacted the Office of Fair Trading and the Competition Commission because there were some uncompetitive practices in the LPG market. I built on the work of my predecessor, Lord Livsey, who was very active in the matter. We were surprised when, in the end, the Competition Commission decided to take up the issue, because there was huge resistance from LPG suppliers.

Some of those uncompetitive practices were quite clear. There were issues over the different types of connection and appliance and whether ownership of the bulk tank could be transferred from one company to another. Some regulations have been introduced to ensure that there is more competition in the marketplace. In fact, Calor Gas is to hold a reception in this place tonight.

Andrew Bridgen (North West Leicestershire) (Con): Could we not do more to promote local group buying schemes to balance the uncompetitive market and get better pricing?

Roger Williams: The hon. Gentleman anticipates a point that I was about to make. Let me repeat though that a reception will be hosted tonight by Calor Gas, which is one of the major LPG suppliers. The Minister may like to go along—he may even be speaking at it—and make some of the points that he has heard during this debate.

One of the key issues about fuel poverty, which has already been referred to by my hon. Friend the Member for Ceredigion (Mr Williams), is the opportunity to buy in bulk. I visited some old-age pensioners' bungalows owned by Powys county council in a little village called Garth, where pensioners switched off their LPG heating in the middle of winter and consequently had no heating in their houses at all, because they just could not afford it. Nobody was responsible for ordering the LPG and the local authority—the pensioners' landlord at the time—was taking no interest at all in the pricing mechanism for the tenants, and the tenants themselves were not sufficiently empowered to take hold of the situation. I contrast that with what happened in another village, Llanspyddid, where members of the community got together and negotiated to buy in bulk for a little estate, so they got a good reduction in price.

However, the point that I want to make to the Minister is that many LPG users do not know their rights and powers under the new regulations. One of the things that the Government could do, which would not cost a lot of money, is to publicise the new powers and opportunities that exist under the new regulations.

I bring it to the attention of the House that although there is a freer regulatory system in the LPG market, some suppliers still want customers to enter two-year contracts, or even longer contracts in some places. That may be within the letter of the regulations, but I am not sure that it is within their spirit.

A number of people on the lowest incomes, particularly retired people, live in park homes. The best one could say about the position regarding competition for the supply of LPG to park homes is that it is unclear. I raised the issue in the all-party group on park homes the other evening. Representatives both of the owners of park homes and of the estates where park homes are located confirmed that the position on competition is unclear. However, it is a difficult issue so given the short time available to me in this debate, I would be better off writing to the Minister about it.

Another issue is that the new free market applies only to bulk LPG; it does not apply to small cylinders of LPG. Some of the poorest people in our communities use small cylinders of LPG. Buying those cylinders is even more expensive than buying LPG in bulk, which itself is much more expensive than mains gas. Many of the poorest people use mobile heaters, bringing them into their bedrooms late at night when they go to bed; they put them on in the morning in the bedroom and then take them into the kitchen when they are making their breakfast. They take the heaters round the house. However, those LPG cylinders are not covered at all by the regulations, which is an issue the Minister might want to familiarise himself with.

On a related point, we are all concerned about the future of public houses in rural areas, yet it is not clear to me whether the regulations apply to small businesses, such as public houses, as well as to residential properties. Perhaps that is another issue that the Minister might inquire about.

I turn quickly to what I think is a solution to some of the fuel poverty issues: taking mains gas not to individual isolated properties but to communities that do not yet have that facility. I am thinking in particular of communities such as the former mining community in Abercrave in my constituency. One can understand why there was no huge impetus to connect communities such as Abercrave to mains gas, because so many people were in coal mining families and received free coal as part of the miners' terms and conditions; indeed, miners' widows, if they survived, received free coal too. Of course, very few people receive free coal now, and they are living in fuel poverty because they have to use either heating oil, which we have talked about, or LPG.

That solution—connecting such communities to mains gas—is very expensive and I am not in any way belittling the cost. But it is a long-term solution and not a short-term fix. Are there any facilities that could be brought into play to ensure that such communities enjoyed the facility of mains gas?

In another village in my constituency, Llangynidr, the problem is that the mains gas pipeline runs on the other side of the River Usk from the village. Making the pipeline cross the river would be the main cost involved in ensuring that Llangynidr received a mains gas supply.

Those are some of the issues that I want to put to the Minister, particularly the points about competition and how we can ensure that the regulations, which are already in place and doing a good thing for LPG users, can be fine-tuned, so that everybody enjoys the benefits that only a few people are enjoying at the moment.

Mr Clive Betts (in the Chair): I thank all hon. Members for their co-operation in getting the timing right, so we have time for the winding-up speeches. I think that the two Front Benchers have about 12 minutes each.

10.35 am

Emily Thornberry (Islington South and Finsbury) (Lab): May I begin, Mr Betts, by saying that it is a pleasure to serve under your chairmanship for the first time?

I congratulate the hon. Member for Suffolk Coastal (Dr Coffey) on securing this debate. I listened to her maiden speech in the Chamber with great interest and I concluded that, although it was highly unlikely that we would agree politically, she would undoubtedly serve her constituents well. Indeed, we now know those constituents as the people of the new Jerusalem. I also concluded that she was likely to be a formidable advocate for them, and frankly this place can never have enough formidable women.

This debate is one of great importance. More than one in four households in rural areas are in fuel poverty. In sparsely inhabited English communities, every second home has an energy efficiency rating of less than 30, which amounts to a significant health risk. Fuel poverty is a knotty and difficult problem with which the Labour Government struggled. Although we made progress,

[Emily Thornberry]

much more needs to be done. Our concern is that the emerging political philosophy of the coalition Government may prove to be a significant handicap—that might be putting it mildly.

The coalition agreement brags about the way the two governing parties were brought together by a shared ideology that is antithetical to Government intervention. It says that they

"share a conviction that the days of big government are over".

However, there are times when Government leadership is necessary and when the market will not solve a problem. Climate change, for example, is, in itself, the ultimate failure of the market economy. There are times when we need to intervene. Furthermore, the effectiveness of Government intervention must be measured and quantified, so that we can account to the public for the spending of their money.

We have heard from the Secretary of State for Energy and Climate Change that he did not have any Government targets for the creation of green jobs and that he did not want to borrow our targets, for fear of seeming to copy the Soviet Union's Gosplan. However, that judgment is wrong. I urge the ministerial team to reconsider their attitude to targets. In relation to fuel poverty, my first question to the Minister is this: will the coalition keep our 2016 fuel poverty target? If it will not do so, how many people do the Government intend to lift out of fuel poverty by any of their schemes, in either rural or urban areas?

Throughout my contribution, I will put a number of questions to the Minister. I asked some of them in a debate last week and during the somewhat rushed winding-up speeches, the Minister of State, Department of Energy and Climate Change, the hon. Member for Wealden (Charles Hendry), overlooked many of them; I am sure that he did so unintentionally. Therefore, I thought that it might be helpful if I numbered my questions today, for ease of reference.

My second question relates to access to the grid and fuel poverty. The number of off-gas properties is much higher in rural area than in urban areas. Those properties are dependent on solid fuels, heating oil and liquefied natural gas, but the prices of those fuels are higher and they fluctuate more than gas prices. Households that are off the gas network face typical energy bills of £1,700 per annum as opposed to £1,000 per annum for households on mains gas. What steps will the Government take to increase the number of homes on the gas grid?

Another problem is that rural areas have lower average wage levels than urban areas, and the take-up of Government assistance has been more difficult in rural areas. It costs more for contractors to install energy efficiency measures in rural homes, and there is evidence that consumers in rural areas are less aware than consumers in urban areas of the availability of financial support, so my third question is, how does the Minister intend to tackle that problem, especially in the light of recent budget cuts to the Energy Saving Trust?

Another problem, as we heard from many contributors, is that there are fewer cavity walls in rural areas, and solid walls are harder to heat and more expensive to insulate. My fourth question is, what consideration have the Government given to the arguments in favour of making grants available to the rural poor who cannot be connected to the grid, so they can install microgeneration projects, such as ground source heat pumps? Will the Government consider the findings of the Warm Front pilots on air source heat pumps in areas off the gas network for occupants in fuel poverty?

I encourage the Government to be proactive and confident; if we take action, we can get results. Labour achievements on fuel poverty include Warm Front assisting more than 2 million households since 2000, which National Energy Action described as "an extremely successful programme". Despite early problems with take-up of the scheme, improvements were made and the number of grants increased in 2005-08. I listened with interest to the criticisms of the hon. Member for Suffolk Coastal of Warm Front, but saying that rural communities such as hers lose out on schemes over and over again is overstating the case. In the past five years, Warm Front has helped 2,000 households in her constituency. My fifth question is, can the Minister give his assurance that Warm Front will be retained?

Under the carbon emissions reduction target, major energy suppliers had an obligation to direct at least 40% of carbon savings to priority group households, so, my sixth question is whether the super-priority group of 15%, which was announced on 30 June, in addition to the 40% priority group, can be contained within it. Seventhly, what will the Minister do to ensure that the carbon emissions reduction target takes account of the greater difficulty and cost of insulation in rural areas? In the Energy Act 2010, Labour put a statutory obligation on energy suppliers to offer social tariffs to those in fuel poverty. Under Labour, Ofgem provided incentives for gas networks to connect deprived communities. Households assisted under the scheme qualified as being within the 20% identified in the index of multiple deprivation.

Albert Owen: My hon. Friend talks about incentives for gas networks to be extended and for the grid distributors to take the lead, but is it not the case that we need an agency, a local authority or even a community group to do so? Does she agree that we should look at it in that way? We need to ensure that we have local champions in rural areas because, with the greatest of respect, Ofgem in central London does not understand small rural communities. Agencies must work with local government at a local level.

Emily Thornberry: That is right, and, in fact, many of the characteristics to which my hon. Friend refers are part of the community energy saving programme, to which I will return in a moment.

In the Suffolk Coastal constituency, 29,960 people receive winter fuel payments. Eighthly, given the fact that payments have benefited millions of people, will the Minister guarantee that they will continue in the age of austerity? The Government recently announced the dissolution of the Commission for Rural Communities, which I agree is unfortunate, as many hon. Members have said, particularly given that it did a great deal of the analysis on rural fuel poverty that led to significant changes in energy efficiency policy to allow for better targeting of fuel-poor rural households. Everyone knows that Labour did not eliminate fuel poverty and that great challenges remain. Nevertheless, without Government

measures, there would have been 400,000 to 800,000 more fuel poor households in England in 2008.

Ninthly, how are the pay-as-you-save pilots established under the previous Government going? Will they run their course and inform the Government's plans or not? Is the green deal just our pay-as-you-save scheme with a different name, as commentators have said? Tenthly, will the Minister clear up the confusion over whether there will be any form of Government subsidy for the green deal? Will it impose any cost on the public purse? We have had contradictory statements from the Minister of State, Department for Communities and Local Government, the right hon. Member for Tunbridge Wells (Greg Clark), and the Minister of State, Department of Energy and Climate Change, the hon. Member for Wealden, this year. Eleventhly, will the amount available per household be £6,500 or up to £6,500? Twelfthly, will it be more for harder-to-heat homes? In the debate last week, the Minister in the Chamber today told us, with characteristic enthusiasm, about the potential deal with companies such as Tesco, B&Q and Marks & Spencer on the green deal. What will companies get out of this? That was question 13. How confident is he that the private sector will see it as a good proposition?

Most important is my 14th question: how will the Minister ensure that all households that need to improve their energy efficiency take advantage of the scheme? How will the poorest take advantage of it, and how will it work for those on low incomes and those with poor credit ratings? If poorer households do not take up the scheme, does he agree that it will have failed? On 24 June, the Minister's new boss, the Secretary of State, said at the UK energy summit organised by *The Economist*:

"Some people—such as the fuel-poor, and those in hard-to-heat homes…—will need extra help because energy savings alone will not be enough. We intend to provide that help by refocusing the obligations on energy companies. Local authorities could also join with energy companies to reach those who live in houses that need it most. Insulation measures are often cheaper if implemented a street at a time. And we are planning to strengthen the Government's powers to target energy insulation measures on the highest priority cases."

Does that mean that CESP is saved? Perhaps the Minister will give it another name; I always thought that it sounded more like something that needed a strong dose of antibiotics, but it is a good scheme and the Government should look at it carefully. Will it continue?

At the beginning of my speech, I referred to the profound health problems associated with fuel poverty, and those problems are urgent. If we hit another severe winter this year, there are likely to be tens of thousands of excess deaths. The Government are under an obligation to be proactive, and I hope that they will be.

10.46 am

The Minister of State, Department of Energy and Climate Change (Gregory Barker): I, too, am glad to be serving under your chairmanship for the first time as a Minister in Westminster Hall, Mr Betts. I congratulate my hon. Friend the Member for Suffolk Coastal (Dr Coffey) on her maiden Westminster Hall speech. She made a fine start in the main Chamber.

It has been a really terrific debate, and I have learnt a lot. It is the first time that I have listened to a fuel poverty debate as a Minister, and it is striking how much cumulative knowledge there is, not just in one party, but on both sides of the House. In the coming months and years of coalition, I hope that we can be inclusive, not only with our coalition partners, but with other parties, because it is clear that concerns about fuel poverty go beyond party boundaries. Although we come from different sides of the political argument, and may have different priorities or apply different principles to problems that lead to different solutions, there is much more common ground on this issue than is often the case. I hope to have an open-door policy and will be open to new ideas from all parties.

We have a radical programme on energy efficiency and we approach it with new vigour and ideas. I appreciate that the hon. Member for Islington South and Finsbury (Emily Thornberry) is new to her job as well and mustard keen to defend the record of the Labour Government, but we all have to wake up and smell the coffee. She asked whether the Government would keep the 2016 target. Keeping targets is not difficult at all, but meeting them is tough. Her Government, whom she defends, were reversing at speed on fuel poverty despite their best efforts. Over 4 million more people—more like 5 million more—are in fuel poverty than in 2004.

Despite good schemes—the hon. Lady rattled off a number of them—the best efforts of Ministers and a great deal of public spending, we are nowhere close to meeting the fuel poverty targets. We have to do some big thinking, ask ourselves some serious questions and redeploy our resources more effectively to deliver for the fuel-poor, particularly for the rural fuel-poor.

My hon. Friend the Member for Suffolk Coastal addressed clearly what everyone in the Chamber feels: the rural fuel-poor get overlooked and are part of a forgotten population. Many of the schemes introduced under the previous Government have treated people's homes in urban areas. However, the rural fuel-poor often get a worse deal, particularly those who are off the gas network, because there is a lack of social tariffs for those who are off the grid. That issue has been a reoccurring theme of the debate. My hon. Friend is right to be concerned that metropolitan-centric, top-down schemes that are not embedded in their local communities do not always deliver.

It is difficult to find many of the rural poor. The hon. Member for Westmorland and Lonsdale (Tim Farron) spoke well and reminded us that it is often more difficult to find and treat fuel-poor homes that are in, or surrounded by, areas of relative prosperity than those that are concentrated in a metropolitan area. That is a challenge and it is why such homes have been harder to treat in the past. However, it does not mean they are any less deserving of support and concern.

I cannot commit the Chancellor to anything, because doing so is way above my pay grade. However, I heard what the hon. Gentleman said about the potential for a green investment bank—the Green Investment Bank Commission published its report last week—and I have taken on board his suggestions. I encourage him to have a dialogue with Ministers to discuss such a function for the GIB. I would welcome that opportunity.

The hon. Member for Brecon and Radnorshire (Roger Williams) gave a very good speech. He focused on concerns about competition and ensuring that reforms of competition in the market drive right across and reach target groups that have, so far, not been helped sufficiently.

[Gregory Barker]

I was particularly interested in the ideas mentioned in an intervention about supporting and enhancing local group purchasing schemes. When I go back to the Department, I will ask my officials to consider what we can do in relation to that, because the measure does not necessarily involve a lot of spending. I will consider what we can do to try to support and encourage such schemes, because empowering communities is an aspiration that is shared right across the coalition. If one wants to refer to an ideology, it would not be any of those listed by the hon. Member for Islington South and Finsbury. We believe in localism, the need to empower our communities far more and the fact that the solutions to our nation's problems are not locked in Departments in Whitehall.

I say to the hon. Member for Ceredigion (Mr Williams) that, of course, we are committed to consultation and best practice, not just with devolved Governments, but with local government and communities. Learning best practice is not a one-way street; there is a great deal more that we can learn from what is successful in communities. Although I am not familiar with the triggers for cold weather payments, I know how important they are. I will look into the problems he mentioned and write to him.

The hon. Member for Ynys Môn (Albert Owen) spoke at length and with great expertise about the extra costs suffered by particularly far-flung areas—not just in his constituency, but in the whole of the British Isles. He focused on partnership-working with devolved Governments, local authorities and communities. I assure him that we are committed to doing that. He also wanted to know what the coalition had to say about off-grid support and protection. The coalition agreement is not a manifesto; it is a relatively tight document. However, he will see that it specifically mentions the need to support and protect off-grid customers. We want to do a lot more.

Albert Owen: I hope the hon. Gentleman will not regret offering an open-door policy to Members such as me. He is talking about the coalition and localism, with which I agree. However, there must be more than warm words. Although I agree with the devolution of powers, which I have fought for in referendums for many years, we do not simply need it to happen; we need resources. That is the important thing. Dealing with the issue is not just about passing powers from Whitehall to Cardiff, and to rural areas in Wales; it is about making sure that the resources follow those powers.

Gregory Barker: I appreciate the hon. Gentleman's comments, but he will also appreciate that we are in a resource-constrained environment for reasons that we do not need to rehearse here. As well as resources, another factor that empowers communities is knowledge. He made a good point about the need for greater transparency about wholesale and retail prices. I agree with him about that, but we also need greater transparency about billing, tariffs and the costs of switching to a different tariff or the best tariff, or paying by direct debit. Those are all important points.

My hon. Friend the Member for Totnes (Dr Wollaston) brought her medical expertise to bear when she talked about the excessive number of winter deaths. She reminded us of the shocking figures that were published last year and of the impact that poor housing has on not just health outcomes, but life expectancy. That helped to bring the debate into sharp focus.

The hon. Member for Angus (Mr Weir) was right to point out that a minority of the population will always be off-grid and that price is important. He made a crucial point about up-front payments and minimum deliveries. I will consider his ideas on section 10 of the Energy Act 2010. I cannot promise that we will act on them, but we will look at the matter with fresh eyes, because we are interested in radical steps forward and new thinking. As I said, we cannot go on as we are.

We have a big plan of our own: the green deal. It does not involve grants, loans or mortgages and it certainly does not involve the very modest proposals—pilot schemes—that the previous Government introduced. The green deal is a bold, unprecedented scheme that will not involve personal debt, as the pay-as-you-save model of the previous Government did.

Mr MacNeil *rose—*

Gregory Barker: I shall not take interventions, because I am very short on time. The green deal will bring in new capital, new finance providers, new installers and local providers. A constant complaint about Warm Front and its provisions is that it has not empowered local suppliers. The green deal will mean that as long as a local provider can deliver the standards, they can do the work. That will even apply to a village supplier if they get the accreditation, which should be simple and easy to do. I hope that we will see many community enterprises and community partnerships working on the green deal.

The green deal is fundamentally a pay-as-you-save model. We accept that many of those who live in rural homes and some of the most fuel-poor cannot make the savings to justify the significant investment in building infrastructure that is needed; for example, those who have solid wall houses often fall into that category. That is why we intend radically to reform the supplier obligation. We have started doing that with our carbon emissions reduction target extension, where we have increased the amount that we can direct is spent on insulation; if we take into account DIY, it is now 80%. We have stopped the lunacy of mailing or subsidising light bulbs. The green deal is focused on real insulation efforts. We have increased the super-priority group—made up of pensioners, people with children and those from low-income households—from 10% to 15%, so that it is larger than under the Labour consultation. That is really important, but we want to go further.

Mr MacNeil: Will the hon. Gentleman give way?

Gregory Barker: I am afraid that I do not have time.

We want to go further to ensure that support is available. The carbon emissions reduction target will raise more than £1 billion, which is much greater than under the Warm Front programme. Potentially there is a significant amount of revenue, but it needs to be much more focused.

I welcome the thoughts of all hon. Members in the Chamber today about how we should focus on the fuel-poor. We will be considering reforming the supplier obligation, so that there is no hiatus beyond the CERT extension in 2012. There is a new deal—a green deal—and there will be a new supplier obligation. Real, substantial

resources will be made available for the long term, and we are absolutely certain that we need to continue to deliver for the fuel-poor.

However, fundamentally, we cannot keep chasing the fuel price and subsidising fossil fuels. We need to spend the money we have on investment in building infrastructure to make homes not only warmer, but cheaper to heat in the long term. We must reduce people's dependency—whether they are on-grid or off—on gas, coal and oil.

I again congratulate my hon. Friend the Member for Suffolk Coastal on initiating the debate. I am sorry that I have not been able to answer everyone's questions, but I am sure that this is the first of many Westminster Hall debates on this vital issue.

Road Networks (Harlow)

11 am

Robert Halfon (Harlow) (Con): On "The Andrew Marr Show" on Sunday 4 July, the Secretary of State for Transport was straight and honest about the state of British finances. He quite rightly said:

"We will have to prioritise aggressively, and do the things that most promote economic growth."

We know that there will be fewer major road projects and that our money must be targeted more effectively, which is why I strongly support his drive to obtain value for money. He said in the same interview that improvements to the strategic road network must focus "very specifically on bottlenecks".

First and foremost, the case for an extra junction on the M11 is about eliminating the bottleneck leading in and out of Harlow. Yes, it would bring much-needed regeneration to one of the most deprived towns in the east of England, and yes, it would transform the lives of tens of thousands of miserable commuters and businesses, but fundamentally it is about economic growth, higher tax receipts and more jobs.

There are five key arguments in favour of an additional junction on the M11. Harlow is uniquely disadvantaged compared with other towns. As I mentioned in Transport questions on 17 June:

"Harlow has just one entrance to a motorway, whereas similar towns, such as Welwyn Garden City, have two or three and Basildon has four".—*[Official Report, 17 June 2010; Vol. 511, c. 1008.]*

That has been a regional problem for 30 years. I noted in my maiden speech:

"Inexplicably, Harlow was built with just one entrance, with most of the industrial quarter being at the opposite end. As a result, traffic in Harlow has reached gridlock, with large lorries trundling along from one end of the town to another. If Harlow is to have a viable future, a bypass is not a luxury but a necessity."—*[Official Report, 2 June 2010; Vol. 510, c. 488.]*

Recent improvements have not solved the fundamental problem. Harlow is set to benefit from several small transport improvements, including a repaired train station, the dualling of the A414 and the introduction of bus lanes and cycle paths. However, a town of 80,000 people is like the human body; it needs circulation to live, and when its arteries become blocked, something must relieve the pressure.

The fundamental problem has been, and will always be, access to the motorways for businesses and commuters. Everyone agrees with that analysis, which is why every public sector body and major private business from the region have come together to make the case for an extra junction on the M11. The recently formed Harlow-Stansted Gateway Transportation Board includes Essex county council, Hertfordshire county council, Harlow district council, East Hertfordshire district council, Epping Forest district council, the Highways Agency, the Department for Transport, the East of England Development Agency, Harlow Renaissance, and private sector interests such as BAA and National Express. All those public sector bodies and private businesses agreed jointly in the board's annual report that over the next few years Harlow will become

"a major economic hub, close to London and at a key strategic location in the M11 growth corridor."

[Robert Halfon]

The recent improvements to Harlow's roads are welcome, but they are just that: improvements. They are a sticking plaster and, sadly, will not transform Harlow's road network.

Congestion has a huge economic cost. Pollution and noise aside, economic growth in the M11 corridor is clogged by congestion. The Harlow-Stansted Gateway Transportation Board's report states:

"EEDA's recent Transport Economic Evidence Study identified that the area of the London Arc containing Harlow was the most congested in the region, but also the area which could see the highest level of economic return from transport investment."

The proposed extra junction would be situated in a key growth area in Harlow, with the potential for about 5,000 additional homes. If the proper infrastructure is not built and access to the motorway is not provided, congestion will become significantly worse. The latest survey on traffic from the Essex Federation of Small Businesses showed that its members lose on average seven hours per week per driver to congestion. A back-of-the-envelope calculation shows that, with an average hourly cost of £15, that equates to £105 per driver per week, or £5,460 per driver per year. When one considers that there are 40,000 jobs in Harlow, one starts to realise that that means a loss in economic output of about £218 million a year. Hours spent in traffic jams and congestion are wasted; they are a drag on the economy.

For people who work overtime there is also a direct financial cost, as well as the indirect cost of potential output that is not achieved. The Essex Federation of Small Businesses has stated that its members

"strongly support the need for a new junction linking Harlow to the M11 as the current junction cannot cope with the traffic. A new junction which enabled traffic to flow easily into Harlow would soon cover its cost just in time saved by business people currently caught in traffic queues."

An extra junction would massively boost jobs and private sector investment. I am glad to join my hon. Friend the Member for Ilford North (Mr Scott) and several other hon. Friends in reminding the House that the M11 corridor is a dynamic growth economy. All the evidence suggests that when the Government invest in the M11 corridor, the benefits hugely outweigh the costs. Harlow district council's 2009 business survey showed that three quarters of companies regard Harlow's location as the strongest reason to invest, which is a solid foundation on which to build. One in two respondents cited Harlow's traffic congestion as a major barrier to business growth—in fact, it was the second highest barrier to growth overall, after the recession. Finally, the survey showed that four out of five Harlow companies felt that a new motorway junction would be

"the single most effective mechanism to improve congestion."

Therefore, the private sector is highly confident that with the right road investment in Harlow, substantial economic and social benefits will accrue to both the town and the wider M11 region. The Harlow area provides a strong case for investment and has many clear advantages. It has an unrivalled location, which is why the Health Protection Agency is seeking to move to the town. It is close to London, Stansted Airport, Cambridge and the ports at Harwich and Felixstowe, all regarded by businesses as strong attributes.

There is spare employment land in Harlow, so there is both the capacity and opportunity to deliver economic growth. The town already provides significant sub-regional employment—40,000 jobs—and can increase that significantly. The town has a brave and ambitious vision for its future, with an upgraded town centre now being developed. A better road network will help to retain existing businesses and attract new ones. In a region with considerable growth pressures, Harlow can not only accommodate economic growth, but welcome it. The town is a true centre of excellence for the haulage and distribution industry, which needs quick access to the M11 to thrive.

The cost of an extra junction would be very modest, given the investment available from local housing developers. Essex county council has already committed more than £500,000 for a detailed study of an extra junction. That will be spent in two stages: £130,000 in phase 1, to build an outline business case; and £435,000 in phase 2, to look at more specific issues, such as where pressures would accrue on the road network. It is right that local people should shoulder some of the up-front costs to reduce the burden on the British taxpayer. Councillor Norman Hume, cabinet member for highways at Essex county council, is clear on just how important the scheme is locally:

"A new junction on the M11 North of Harlow is now the number one transport priority for th business community of Harlow, and Essex County Council. A new junction will relieve existing congestion and promote the growth and much needed regeneration of Harlow. In order to promote and justify the case for investment, we are developing a business case through Growth Area Funding."

Phase 1 of the study will report in autumn 2010 and phase 2 in early 2011. Councillor Hume and the highways officers at Essex county council are absolutely pioneering in their approach to the road network in Harlow, as are the officers at Harlow district council. Their plans are in harmony with the new Government, with value for money and economic growth at the heart of what they hope to achieve. Harlow district council is equally supportive. Its leader, Councillor Andrew Johnson, said in a statement that a new junction is

"vital to achieving the town's regeneration and creating a prime location for business. It is fundamental to unlocking the economic potential of the town."

Essex county council estimates that the total cost of the new junction on the M11 could be as little as £25 million. It would be located in a key Harlow growth area of up to 5,000 homes. Much of the £25 million cost could be funded through section 106 agreements, making this an opportunity for the taxpayer to get the full economic benefits but pay only part of the already modest costs. The Essex Federation of Small Businesses has studied the cost of congestion and believes that congestion in Harlow is reducing economic output in the region of £218 million a year. When that is set against a cost of less than £25 million, the figures speak for themselves.

I am a realist, and I accept that Ministers' first priority must be to reduce the public debt, which early this year ballooned to £900 billion. I also accept that a project of this scale would normally take 10 years to deliver. The people of Harlow do not expect miracles overnight—they have been waiting 20 years already—but I believe that the case is very strong. Harlow has only one motorway entrance, unlike other major towns of its

size. Recent road improvements have not solved the fundamental problems. Congestion results in a huge economic cost to Harlow and to the M11 corridor. An extra junction on the M11 would boost jobs and private sector investment massively, and the cost would be very modest, given the available investment from local housing developers and sector 106 agreements.

I close with the point made on Sunday by the Secretary of State:

"We will have to prioritise aggressively, and do the things that most promote economic growth."

An extra junction on the M11 would most promote economic growth. Yes, of course, this is about transforming the lives of tens of thousands of commuters and businesses in Harlow. Yes, it would bring much-needed regeneration to my constituency, which is one of the most deprived towns in the east of England. Fundamentally, however, my argument for an extra junction on the M11 is about economic growth, higher tax receipts and more jobs.

Brandon Lewis (Great Yarmouth) (Con) *rose—*

Mr Clive Betts (in the Chair): Order. Has the hon. Gentleman cleared it with the Member introducing the debate and the Minister that he wants to speak?

Brandon Lewis: I must admit that I have not cleared it with the Minister, but I spoke earlier to my hon. Friend the Member for Harlow (Robert Halfon). I am at your mercy, Mr Betts.

Mr Clive Betts (in the Chair): Okay.

Brandon Lewis: Thank you, Mr Betts, I appreciate that. I will ensure that in future I speak to the Minister as well.

Mr Clive Betts (in the Chair): I appreciate that the hon. Member is new to the House, so that is fine.

Brandon Lewis: I simply want to support my hon. Friend's statement. I represent Great Yarmouth, and although the M11 is not there, or in Norfolk, it is the closest motorway to my constituency. It is a vital part of the artery joining the A11 and the A47 that runs through to our outer harbour and to Norwich airport, so it is hugely important to the economic development and growth of Great Yarmouth, which has pockets of high deprivation. Anything that we can do to alleviate the traffic problems along that artery, which this junction could—and clearly will—do, is of benefit to Great Yarmouth. Does my hon. Friend agree that that is important for Harlow, but also for the wider business community throughout East Anglia and the eastern region?

Robert Halfon: Should I respond?

Mr Clive Betts (in the Chair): In terms of procedure, normally the hon. Member initiating the debate would speak, then the Minister would respond. The hon. Member would not come back. It would have helped if the hon. Member for Great Yarmouth (Brandon Lewis) had intervened beforehand, but I will allow a brief response.

Robert Halfon: Thank you, Mr Betts, for allowing me to respond. Having a close association with the area—a constituency in the east of England—and travelling on the M11, my hon. Friend knows better than most the traffic problems that we have in Harlow. I am very grateful for his support, which will be noted by the people of Harlow and all the businesses and commuters who use the M11 on a daily basis.

11.14 am

The Parliamentary Under-Secretary of State for Transport (Norman Baker): I congratulate my hon. Friend the Member for Harlow (Robert Halfon) on securing this debate on traffic and the road network in Harlow, and on the strong presentation of his case this morning. Although only recently elected to the House, he has already asked questions about traffic and road issues in Harlow, and I am pleased to respond to his first Adjournment debate on a subject that is clearly of great importance to him and his constituents.

It might be helpful if I explain that within the Department for Transport the Under-Secretary of State for Transport, the hon. Member for Hemel Hempstead (Mike Penning), has responsibilities for the motorway network and I have responsibilities for other roads and for general traffic issues. My hon. Friend the Member for Harlow has concentrated solely on the M11, which is a matter that would normally fall to my colleague, but I will do my best to respond to the issues he has raised. However, given the title of the debate, I will also refer to other issues that relate to traffic and transport in the Harlow area.

Before I turn specifically to Harlow issues, I need to make some general points. My hon. Friend will not be surprised if I make them on behalf of the Department—the point he made himself. In particular, I must make it clear at the outset that the overriding need the coalition Government have identified is to tackle the national deficit. That means that the decisions we take and the speed with which we are able to implement transport improvements will need to be determined in the context of the comprehensive spending review. The Department for Transport is playing a full part in that spending review, which will report in the autumn.

We have already announced a range of measures aimed at delivering reductions in spending. On 24 May the Chancellor of the Exchequer and the Chief Secretary to the Treasury gave details of £6.2 billion of savings in Government spending in 2010-11, and the Department for Transport is contributing by finding savings of £683 million this year. That has meant taking difficult decisions on funding, and deferring decisions on some transport schemes until after the outcome of the spending review. On 10 June, the Department for Communities and Local Government published further details of local government savings, including £309 million in local transport funding.

The Department and I understand that those reductions and deferrals are difficult for many places. Through reductions in ring-fencing, we have maximised the flexibility for local authorities to reshape their budgets according to local priorities, and to identify where efficiencies can be found. There is also an opportunity to rethink transport plans and priorities, to ensure that proposals are environmentally as well as financially sustainable. However,

[Norman Baker]

given the current financial constraints, it is essential to ensure that any new infrastructure is affordable and offers value for money.

Turning to Harlow-specific matters, it is first worth reflecting on the history of Harlow's development, as therein lies some of the answers as to why Harlow, a new town, suffers the level of congestion experienced by my hon. Friend's constituents. When Sir Frederick Gibberd drew up the original master plan for Harlow, he did so with the expectation that a new motorway would be built to the west and north of the urban area. He therefore positioned the town's industrial areas and town centre where they would have easy access to the new motorway, probably with multiple access points. However, the M11 was subsequently built to the east, giving rise to some of the problems that are now being experienced. Access to the town was via junction 7 and the A414 from the south. As a result, as my hon. Friend knows only too well, traffic in and out of Harlow has to traverse a series of mainly single-lane carriageways to reach key destinations such as the town centre and areas of employment. Frequent congestion is the result, and the Department acknowledges that. I fully understand that congestion is seen as a barrier to achieving the town's regeneration and economic growth ambitions.

My hon. Friend will be aware that, for some time, many people have seen the solution as the provision of a new junction—7A—on the M11 to the north of Harlow, along with realigning and extending the A414 to provide a northern bypass to Harlow. I am advised by officials that the cost of the full scheme is estimated as in excess of £250 million. However, the feasibility of such a proposal has yet to be established.

I am aware that, on behalf of the Harlow-Stansted Gateway Transportation Board, Essex county council is undertaking a feasibility study—to which my hon. Friend referred—of the options for a reduced scheme to include a new motorway junction and connection to the existing local road network to the north-east of the town. The study will give an indication of whether that is a potential solution. There may of course be effective, lower-cost solutions that emerge from that or other work that the county council or others undertake locally, and I will follow developments closely, as will my colleague the Under-Secretary.

Robert Halfon: I thank the Minister for what he has said so far. I want to make it clear that, as he acknowledged, I am just asking for the extra junction on the M11, because I recognise the huge cost of something that would happen in the distant future. I am asking just for that, because it is much better value for money for the taxpayer.

Norman Baker: I am grateful to my hon. Friend. As we will undoubtedly have less money in the future, we have to be much more careful about how we spend it, and to ensure that rigorous cost-benefit is applied to any scheme. I suggest that the cheaper a scheme comes in, the more likely it is to proceed.

It is also worth pointing out that the context has changed, given that some of the justification for the northern bypass came from the significant northern expansion of Harlow that would have been needed to meet the regional spatial strategy—RSS—housing targets. With the revocation of the RSS—I am sure my hon. Friend will welcome the increased move towards devolution—there will no longer be a regional policy basis for that level of development. Obviously, we have devolution coming forward in the decentralisation and localism Bill that the Department for Communities and Local Government will introduce and in the enterprise boards it proposes. We will see what comes from those local economic partnerships.

The M11 junction feasibility study will consider the transport needs of future development within Harlow's boundaries but, ultimately, it will be for Harlow, together with partner authorities, to agree on how best to develop beyond that. Such discussions will be based on what local communities want, and my Department will try to respond as positively as it can.

I acknowledge that congestion in Harlow is of particular importance locally. I am pleased that rapid progress is being made by Essex county council to dual the A414 carriageway between junction 7 of the M11 and the Southern Way junction. When that work is completed in early 2011, the scheme will significantly alleviate the bottleneck.

However, I make it clear on behalf of the Department that extra road capacity is not the only answer to tackling congestion. Nor, indeed, depending on the circumstances, is it necessarily the best answer. In March, Essex county council successfully completed the First Avenue multi-modal corridor, which provides fast bus access from the New Hall development to the town centre. It includes a shared cycleway and provision of real-time information, and is an example of the kind of sustainable transport solution that the Government are keen to bring forward. Obviously, if people can be persuaded to transfer from cars to other modes of transport, that will free up existing road capacity for motorists who are still on the network.

I understand that the feasibility of other ideas for congestion-relieving projects has been investigated locally, including the potential reopening of the Central line from Epping to Ongar and an extension to Harlow. I shall be interested to see whether that washes its face economically.

We made clear in the coalition agreement our commitment to a modern, low-carbon transport infrastructure as an essential element of a dynamic and entrepreneurial economy. An effective and efficient low-carbon transport infrastructure can help to support economic development and, at the same time, help to tackle climate change and, indeed, congestion on the road network. Securing that objective in our current economic climate is, of course, a challenge, but I am confident that we can rise to it and foster a transport system that works for the economy, the environment and local communities.

The Government are committed to making the best use of the rail network as part of their commitment to creating a low-carbon economy and improving the travelling experience for passengers. I am pleased to note that National Express East Anglia's refurbishment of Harlow Town station is near completion. That work was funded by £200,000 from my Department, matched by £200,000 from Essex county council. In addition, the delivery of

new rolling stock will allow longer and more frequent trains to run on services for Harlow Town and Harlow Mill.

My hon. Friend will be aware that £8 million was earmarked for the Harlow public transport scheme in the regional funding allocation submission made to the Government in February 2009. Essex county council began developing proposals, but the matter is now on hold while the comprehensive spending review takes place. I hope that my hon. Friend will agree that the review provides communities and the Government with an opportunity for wider reflection on possible alternative options for tackling congestion and addressing other transport issues, and on how we assess the feasibility of transport schemes big and small.

The coalition agreement includes a commitment to make the transport sector greener and more sustainable, including reforming how decisions are made on prioritising transport projects so that the benefits of low-carbon proposals are fully recognised. That work is ongoing in parallel with the spending review, and it is clear that the decisions taken after the spending review is completed will be influenced by work on the appraisal of transport schemes.

The coalition agreement refers to making the transport sector greener. Building on that policy framework and on the success of the first round of the green bus fund, on Monday I announced a second round of the fund worth £15 million, which will support the procurement of another 150 low-carbon buses in England. All transport authorities, including Essex county council, are encouraged to submit a bid. Perhaps my hon. Friend will take that point back to the council, which may be able to get some money for green buses for the area.

The first round of the fund will support the 24 successful winners in purchasing about 350 new low-carbon buses, the first of which will be in operation from this summer. Low-carbon buses use at least 30% less fuel than standard diesel buses with the same passenger capacity and emit around one third less greenhouse gas emissions, yet they account for only 0.2% of the buses on the road in England.

In identifying their needs and priorities, Harlow council and Essex county council should consider the full range of options available and the potential for attracting funding from other than public sector sources. My hon. Friend was right to refer to section 106 agreements, which could indeed provide sources of funding for transport infrastructure improvements. Frankly, at this stage, it is clear that more money secured from the private sector will not only improve the appraisal outcome for individual schemes, but make it less likely that they are lost in the mix. In the current financial climate, I cannot offer assurance about the future time scale for schemes that have been identified, but reviewing the feasibility of options should mean that Harlow is well placed to benefit from available investment when the financial position eases.

In conclusion, it is clear that we face a challenging situation. Tough decisions have already been necessary to tackle the UK's budget deficit, which the Government have identified as their most urgent priority, and transport must play a full part in the process, as my hon. Friend recognises. Only when the Government's spending review has been concluded will the Department be in a position to identify what investment can be made. In a period when we face tight financial restraints, it is essential that we take a step back to consider what options are available, and which schemes should be prioritised. By doing that, we will place ourselves in a strong position to make best use of the funds available, and to establish a sound base for the future development of a transport system that can contribute to a low-carbon economy.

As I said, additional road capacity may not be the only answer to congestion. There are real opportunities for communities to reassess whether they can deal with congestion in their locality in ways that contribute to other ambitions such as reducing greenhouse gas emissions, improving the environment and encouraging healthier lifestyles. My hon. Friend has put on the record his strong support for junction improvements to the M11. His Adjournment debate is timely, in that this is a period of reflection and reconsideration for the Department for Transport as to how it wants to proceed. I will ensure that his remarks are drawn to the attention of the Secretary of State and my colleague the Under-Secretary, who has responsibility for motorway issues.

11.26 am

Sitting suspended.

Child and Adolescent Mental Health Services

[MR JOE BENTON *in the Chair*]

2.30 pm

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): I appreciate having been able to secure the debate. I thank the Minister and shadow Minister for their attendance, and am grateful to the other MPs present. A lot of people watching the debate on the Parliament website might not be aware that we all had a late night last night, debating the finer points of the Finance Bill, so I am grateful to hon. Members for turning up. I also thank the National Autistic Society for providing me with statistical information. I remind the Chamber that I have declared an interest in the subject of the debate, as the parent of a child with autism.

I want to discuss the experience of many families with autism; their feedback on the support provided by child and adolescent mental health services, or CAMHS; and problems of communication, misdiagnosis and the training of CAMHS professionals. I will then make the case for more specialist autism support and ask the Minister a number of questions.

Autism is a serious, lifelong, disabling condition that affects how a person communicates with and relates to other people. It is a spectrum disorder that affects each individual differently. Some people with autism can lead independent and fulfilling lives with little support, while others need specialist support throughout their lives.

People with autism have said that, to them, the world is a mass of people, places and events of which they struggle to make sense, and which can cause them considerable anxiety. In particular, understanding and relating to other people and taking part in everyday family and social life may be harder for them, while other people appear to know intuitively how to communicate and interact with each other. Approximately one child in 100 has autism.

Autism is not a mental health problem, but a recent study by Professors Simonoff and Charman found that 71% of children with autism have a co-occurring mental health problem, and 40% have two or more. Such problems include serious conditions such as depression, anxiety disorders and obsessive-compulsive disorder, which can be debilitating without the right support. Seven out of 10 children with autism develop such conditions, which is far too high a figure. However, with the right support from people who understand autism, such children can have mental health as good as any other child's. Unfortunately, that support is often unavailable in our society.

Children with autism find it difficult to understand the world around them. They may not understand social cues and expectations or be able to identify patterns and routines in their lives. Help with understanding what to do in different situations or what happens next in a sequence of events, or with coping with changes in routine, can make a big difference, but without such support, children with autism can become anxious or frustrated.

Children with autism are also less likely than other children to have strong social relationships. One Office for National Statistics study found that 42% of children with autism had no friends, compared to 1% of other children. Children with autism may act in unusual ways, or may try to fit in with their peers in socially inappropriate ways. Other children may ridicule or bully them as a result.

Difficulties at school and elsewhere may affect the self-esteem of children with autism. An inability to express their feelings can lead to escalating emotions or leave them unable to deal with experiences such as loss or grief. A supportive educational setting that works for the child, in partnership with mental health services, can be crucial to maintaining emotional well-being and preventing mental health problems from developing, yet the NAS found that 34% of parents said that a delay in accessing the right support at school had had a negative impact on their child's mental health, and that half of children with autism are not in the kind of school that their parents believe would best suit them. Awareness and consideration among the general public also play a part. Whether in shops and restaurants, on public transport or in the park, children with autism and their parents can face intolerance and lack of understanding that can cause considerable stress and anxiety.

It does not have to be like that. Most of those difficulties can be overcome with the right support for children with autism and their families. Children with autism can live happy, healthy, fulfilled lives, do well at school and reach their full potential. Everyone in society must take some responsibility for making that happen.

I intend to concentrate on the support that children with autism and their families receive when mental health problems develop. According to Government-commissioned research conducted by the university of Durham, one child in every 10 who accesses child and adolescent mental health services has an autism spectrum disorder. That amounts to more than 10,000 children a year. Such children are often extremely vulnerable and in dire need of support that works for them. Another ONS study for the Government found that 25% of children with autism either self-harm or have suicidal thoughts. Their families are desperate for skilled help that can improve their children's mental health and quality of life.

The NAS has been carrying out in-depth research on the subject since last summer, as problems with CAMHS were being mentioned consistently through its helpline and regional offices. When NAS members were surveyed on the organisation's campaigning priorities, 99% rated improving CAMHS as either important or very important. The NAS held focus groups with parents and one-to-one interviews with children who had experienced CAMHS, followed by a mass survey of parents. It also visited several CAMHS sites and spoke to professionals and clinical directors.

Through its research, the NAS has found that, sadly, most children with autism and mental health problems are not getting the service that they need from CAMHS. According to the NAS survey, CAMHS fails to improve the mental health of two thirds of children with autism. We must improve on that.

One young woman said of her experiences as a nine-year-old accessing CAMHS that

"when I went in to the meeting I was miserable and depressed. When I came out I was suicidal. I was trying to throw myself out

of my windows and hang myself... It took me several years to recover and I didn't ever want anything to do with them."

The NAS consistently heard from professionals, parents and children that, despite the huge proportion of children with autism in the system, understanding of autism among professionals is generally poor. Only half of parents feel that CAMHS staff have a good understanding of autism, and fewer than half think that CAMHS staff know how to communicate properly with their child.

To work successfully with a child with autism, a CAMHS professional must have a good understanding of autism. Autism is a communication difficulty, so the professional must generally adapt how they communicate, which requires a good understanding of autism. With respect to some children, that involves speaking more clearly and directly, while others have limited or no verbal communication and may need visual cues to help them to make sense of and communicate their feelings. A child with autism is likely to take longer than other children to trust the professional and communicate openly.

Professionals may also have to adapt their explanations to be less abstract or hypothetical and relate more directly to the specifics of the child's situation. For example, if a professional works with a child with autism to deal with a certain situation in a classroom setting, the child will usually struggle to generalise, applying the same techniques at home or on the school bus. The professional will have to work through each situation in turn, which is not necessary for other children.

Children with autism can also struggle to explain difficulties that they are not currently experiencing. One child said:

"They need to be there when things happen, because when I went to see the doctor at our local CAMHS I never felt bad and couldn't talk about what had been hard because it wasn't happening then".

When professionals are given the time and training to get to know the child and their family, understand the child's autism and how they communicate best, and adapt their approach accordingly, outcomes are greatly improved. However, a professional who does not understand autism is unlikely to make such adjustments, leading to a breakdown in communication and making effective intervention extremely difficult.

When a child with autism also has a mental health problem, it is crucial that the right support is provided for the right diagnosis. If a child is wrongly assessed, the wrong support will inevitably follow. Practitioners who do not have a good understanding of autism can misdiagnose children as a result, leading to inappropriate or unsuitable interventions. Without a sound working knowledge of autism, some behaviours that are common in children with autism can easily be interpreted as mental health problems. For example, autism-related personal obsessions, rituals and routines can lead to a false diagnosis of OCD. Peculiarities and fads about what a child eats can come across as an eating disorder. Sleeping difficulties or an aversion to human touch can wrongly lead to suspicions of abuse-related trauma.

The NAS found that some children who had been diagnosed with autism were wrongly undiagnosed by a professional who was convinced that their behaviour was symptomatic of a different condition. Other children's mental health conditions were overshadowed by their autism, when professionals were unable to distinguish the symptoms of mental health problems from autism-related behaviours: if the CAMHS team focused on autism, mental health issues were ignored. Some parents said that the professionals they met considered conditions such as anxiety disorders inevitable and unavoidable side-effects of autism, rather than as the separate, treatable conditions that they are.

Many of the professionals told the NAS that they wanted more opportunities for professional training and development, so that they and their colleagues would be better able to work with children with autism and mental health problems. Many children with autism receive either inappropriate support or no support at all because the right support simply does not exist in their area. Some CAMHS professionals told the NAS that their waiting lists for children with autism were much longer than those for children without autism, and that, because so few staff had autism training, the vast majority lacked the skills to treat children with autism, so those children were left waiting for the handful of staff with sufficient autism expertise.

Charlotte Leslie (Bristol North West) (Con): As chair of the all-party group on autism, I congratulate the hon. Gentleman on securing this debate on an immensely important subject. The NAS has done fantastic work raising these issues with colleagues. What training did CAMHS staff receive under the previous Government and does he think it was adequate? If not, what improvements might be made?

Jonathan Reynolds: I am grateful to the hon. Lady for her intervention, and I acknowledge her work and expertise in this field. I approach this subject primarily as a parent, so I am happy to say that more needs to be done. I am not making this a party political issue between this Government and the previous one. I am trying to highlight the issue and, I hope, move forward together, across the House.

I wish to identify some good practice relating to the hon. Lady's question. Dudley primary care trust operates an autism clinic that focuses on diagnosis and assessment, and has the specialist expertise to assess complex autism cases. The clinic takes a "broad apprenticeship" approach to training new staff, which gives them the opportunity to observe specialists and more experienced clinicians assessing children from behind a one-way mirror.

After new staff have watched several assessments, they progress to shadowing colleagues and then to taking the lead with children with autism, with support from a specialist. Finally, they are able to work alone and train new starters themselves. They learn through practical experience, rather than theory. The clinic also shares its expertise more widely and trains external agencies. For instance, it trained a group of specialist autism teachers and key workers to provide social skills training to children, meaning that social skills training could continue once a child had left CAMHS, making it far more effective than if it had been delivered once and then discontinued.

There is clear evidence that a good understanding of autism is vital to delivering an effective service to the high number of children with autism in the CAMHS system. All professionals working in CAMHS must have their training needs relating to autism recognised and addressed. In "Fulfilling and rewarding lives", the

[Jonathan Reynolds]

Government's recently published strategy for adults with autism, there is a commitment for

"all NHS practitioners"

to

"be able to identify potential signs of autism, so they can refer for clinical diagnosis if necessary… but more importantly so they can understand how to adapt their behaviour, and particularly their communication, when a patient either has been diagnosed with autism or displays these signs."

The same strategy commits the Government to working with the General Medical Council and various professional bodies

"to improve the quality of autism awareness training in their curricula."

What action do the Government intend to take to ensure that the NHS training objectives made in the autism strategy, "Fulfilling and rewarding lives", are met, so that all CAMHS practitioners receive some basic training in autism?

Dr John Pugh (Southport) (LD): The hon. Gentleman has made two distinct points so far: that mental health problems can be masked by autism so that a person who really has mental health problems may be seen only as having autism, and that autistic behaviour can be misdiagnosed as a mental health issue. Surely that is a very tricky situation for any diagnostician to be in.

Jonathan Reynolds: Yes, it is difficult. To be clear, my point is that the prevalence and frequency of co-occurring mental health problems with autism require CAMHS professionals to have specialist training. Without that support, there can be misdiagnosis, which can lead to the situation that the hon. Gentleman referred to.

Does the Minister agree that, given the high proportion of children with autism who access CAMHS, all CAMHS professionals should receive some autism training?

I have explained how a basic knowledge of autism among all CAMHS staff is essential to ensuring that appropriate interventions are delivered to children with autism, but that alone is not enough. Providing mental health support to a child with autism is a specialist skill. Research has found that when an autism specialist has been involved in the support of a child, the outcomes and service satisfaction both improve dramatically.

The NAS found that parents who reported that their child had received support from a professional specialising in autism were twice as likely as those whose children had not to agree that CAMHS had improved their child's mental health. They were also four times as likely to say that a good understanding of autism by mental health professionals had positively influenced their child's mental health. However, only two in five parents say that their child has had such support.

Mr John Leech (Manchester, Withington) (LD): I congratulate the hon. Gentleman on securing the debate. As a parent of an autistic child, does he support the idea that children on the autistic spectrum should be educated in special schools, or are such children better off in mainstream schools?

Jonathan Reynolds: Speaking as a parent, we must recognise that this is a spectrum disorder. Therefore, children with autism are in different situations and have different symptoms, and each requires a response particular to them. Generalisations of the kind that the hon. Gentleman asks about cannot be made. Each parent and professional would, in respect of the support that they had, have to make the decision based on what was best for that particular child.

The professionals who spoke to the NAS stressed the importance of specialist autism expertise when dealing with a child with autism and mental health problems. They explained how in many cases a specific skill-set is required to treat these children and that without that specialist knowledge it can be very difficult to effect any real improvement. They felt that specialist expertise was often required to get a real understanding of how the child's mental health problems related to their autism, and how they would need to adapt the interventions they provided to take account of the child's autism.

Although basic autism knowledge will help a professional to communicate better with the child and understand better why the child displays certain behaviours or symptoms, greater expertise is often needed to make a positive difference to the child's mental health. That is because many therapies and interventions rely on thought processes and communication techniques that do not make sense to children with autism, and only skilful adaptation from a specialist can make them relevant and useful. Children with autism often will not gain any benefit from treatment that is applied in the standard way. Indeed, such treatment can make things worse.

Again, we should recognise good practice where it exists. West Berkshire has a social communication team that provides home and community-based assessment and intervention for young people with complex diagnostic issues or needs that cannot be met by local services. That team works with children with autism and a co-occurring mental health disorder. It takes a multidisciplinary approach, incorporating speech and language therapists, two clinical psychologists and a psychiatrist. The team is also part of a wider multidisciplinary group that provides services for children with autism in west Berkshire. The team recognises the need to adapt therapies to account for autism. Psychologists divide their time between diagnosis and follow-up appointments, and provide behavioural and mental health interventions.

Pat Glass (North West Durham) (Lab): I have worked in this area for many years, with many children and CAMHS services. I have found across the country that there is massive inconsistency in the quality of CAMHS services, but there is absolute consistency in the lack of those services for children. Quality is variable throughout the country. Although the services that my hon. Friend is talking about are at the upper end of the scale, for many children they simply do not exist.

Jonathan Reynolds: I am tremendously grateful to my hon. Friend for her intervention. She has great expertise in this and other matters, and in another capacity was responsible for the education system that I went through. I hope that I am not letting her down.

Following on from that, as so many children who access CAMHS have autism, what action will the Government take to ensure that specialist autism support is available to all children with autism and mental health problems? To take up what my hon. Friend has said, I think we would all agree that one matter that always arises when we talk to parents and campaigners

is the inconsistency in service delivery across the country. For every example of innovative or positive practice, there are often many examples of children with autism and mental health problems facing inadequate or non-existent provision.

Local commissioners are supposed to plan services based on the needs of the local population, but it seems that in many instances commissioners are unaware of either the number of children with autism and mental health problems in their area, or that those children need specific support from people who understand autism, or both. When commissioners fail to recognise and address the needs of children with autism and mental health problems, those extremely vulnerable children and their families do not receive the support that they need. Commissioning is a local exercise, but there is no doubt that direction from the Government at national level can make a huge difference to what is commissioned.

Previous Government directives—for example, the national indicators, Care Quality Commission inspections and the national service framework for children—have instructed commissioners to prioritise specific areas of CAMHS, such as age-appropriate in-patient wards for teenagers, early intervention services, and services for children with a learning disability. Those directives drive commissioning in those areas, and lead to greater availability of services and greater consistency across the country.

The National Autistic Society has provided strong evidence that CAMHS are failing children with autism, and that results for such children can be greatly improved by improving autism understanding and specialisms within CAMHS. We know that only 10% of CAMHS provide targeted support to children with autism. Surely, there is a strong argument for the Government to prioritise the commissioning of services for children with autism.

Ten thousand children with autism access CAMHS each year. Given that the mental health of two thirds of children with autism is not improved by the support that they receive, that is a huge waste of NHS resources when we can ill afford such a waste. Furthermore, when children with autism receive services that do not work for them, or receive no support because none is available, their problems escalate and become more complex. Not only does that mean that it is much harder for families to cope; it means that, ultimately, those children are much more expensive for the NHS to treat. A relatively short period of appropriate therapy from an autism specialist at an early stage could prevent a child from needing a long stretch in an expensive in-patient unit.

If commissioners were given more guidance and direction to help them to commission the right services for children with autism in the first instance, we could stop wasting money and stop wasting lives. What action will the Government take at national level to ensure that the right services for children with autism are commissioned locally across the country?

Several hon. Members *rose—*

Mr Joé Benton (in the Chair): Order. The debate lasts only one and a half hours. Several hon. Members have indicated that they would like to speak—I will do my best to call them all—so perhaps they will bear that time limit in mind, and that I propose to start the winding-up speeches at 3.40 pm.

2.53 pm

Annette Brooke (Mid Dorset and North Poole) (LD): I congratulate the hon. Member for Stalybridge and Hyde (Jonathan Reynolds) on securing this debate, and providing comprehensive coverage of the vital issues. I also congratulate the National Autistic Society on its "You Need to Know" campaign, because we must make services work better for people with autism. An important aspect of that is to make CAMHS services throughout the country work effectively for children with autism.

I have been contacted by constituents asking me to support the campaign, and I want to begin my brief contribution by describing some of their experiences, because they illustrate all the general points that the National Autistic Society makes. One constituent wrote:

"I first realised there was something wrong with Jon's development at the age of 2 but was told by my Health Visitor that I was comparing him to his older exceptionally bright brother and that he was fine. I continued over the next 2 years to say that 'something wasn't right' until she eventually agreed to get his hearing checked—he wasn't interacting with me, seemed in his own little world and wouldn't even respond to his name. His hearing was fine so she referred him to a speech therapist as he didn't talk much but after a few weeks of attending, he was discharged saying he was ok. It was only once he'd started school that he was referred"—

to the local hospital—

"But the consultant...decided that [redacted] must have a form of epilepsy as he would 'switch off' in the playground and was oblivious to his surroundings. He did months of tests but they revealed nothing".

Eventually, Asperger's syndrome was diagnosed, and my constituent went through years of seeking help. She continued:

"I have no idea what or how to access services which may or may not be available to Jon especially CAMHS. He is 17, 14 stone and 6ft 3, and can have tantrums like a 2 year old—just as sudden and just as violent. I asked my GP if there was some kind of Anger Management course available to him or if he could see a psychologist that could help him. He said I would have to see Jon's consultant".

And so it went on. My constituent believes that training is needed across the board for GPs, nurses and psychologists, as well as with direct CAMHS services.

Another constituent who works with children and young people with autism said:

"I feel that many health professionals are unaware of the battles faced by those living with autism. I have often found those from outside agencies quite hostile towards our clients...not realising that they need to be treated differently from neurotypical people. Most of these students have diagnosis in other things such as Obsessive Compulsive Disorder, ADHD and Pathological Demand Avoidance and attachment disorders."

They say that it is

"hard to find people with the right expertise to deal with these disorders as they usually have not dealt with people with autism before, leaving these other diagnoses untreated. Add this to the fact that the provision for all of these services usually drop away once a person with autism reaches 19 and are transferred into adult services and it seems we are failing those with a diagnosis"

of autism.

Another constituent said:

"My experience with CAMHS for Sam has been quite negative. We saw an ASD Nurse Specialist from CAMHS for about 6 months. He knew very little about autism, in fact he used to borrow books on autism from parents".

Another constituent wrote:

"We are consistently told by professionals that they are severely overstretched which from personal experience and talking to

[Annette Brooke]

other parents leads to very few families receiving adequate support…Maybe if money was invested on these children as they deserve…then they would be more likely to develop into functioning adults who are able to contribute to society in a positive way rather than developing into adults with mental health issues who are totally reliant on the state."

Those four experiences sum up many of the issues that we are debating.

Autism is not a mental health problem, which makes it difficult for people to access appropriate services. As we have heard from the hon. Gentleman, a large proportion of children with autism have mental health problems, which may develop because of the symptoms that they express and subsequent interaction with other people. They may become more socially isolated at school because of their characteristics. The problem snowballs if the symptoms of autism are not identified early, and the child's journey does not include trained people who understand its complexities and varieties.

Mr Mark Williams (Ceredigion) (LD): The debate is rightly concentrating on the inadequacies of CAMHS, but my hon. Friend knows of my interest in teacher training and teachers' awareness of identifying the characteristics of autism. There is understandable frustration among teachers at the lack of training facilities and opportunities available to them.

Annette Brooke: My hon. Friend and I, along with many others, have worked hard on education, and we are slowly making progress. Today's debate takes us further afield because we have to get the whole package right for children with autism.

Being mindful of the time, Mr Benton, I would like to touch on two issues. First, I would like to emphasise the need for training for CAMHS professionals, which is vital for all the communication issues mentioned by the hon. Member for Stalybridge and Hyde. The issue is not straightforward, which means that there must be training; there must be flexibility, patience, skill and understanding. The local CAMHS commissioning process is designed to identify and address skills gaps in the local work force. What steps will the Government take to ensure that such gaps are identified and addressed with regard to autism?

I have been involved with the Every Disabled Child Matters campaign, and one area of concern that we have identified is the falling apart of services for disabled children during the transition period. There is a lack of forward planning for the transition, starting about age 14. That is particularly true for children and young people with autism, because they are likely to require ongoing mental health support and to need a smooth changeover between children's services and those for adults. One issue that I have with children's trusts is that in some local authorities, there is a great dichotomy between children's and adult's services. The best local authorities manage the transition well, but there is the potential for people to fall through the gap. How do the Government intend to ensure that CAMHS and relevant adult services work together to plan appropriate ongoing support for children with a mental health problem and an additional disability, such as autism, and for all young people who require ongoing mental health support?

3.2 pm

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): I, too, congratulate my hon. Friend the Member for Stalybridge and Hyde (Jonathan Reynolds) on securing this important debate. Hon. Members who know that I come from north of the border may wonder why I choose to speak on a matter that essentially relates to devolved issues in Scotland. However, in a number of areas, we have to look across the UK, and the National Autistic Society has a facility—Daldorch House—in my constituency, which has become a centre of excellence in the local area and is looked to by a number of local authorities, not just in Scotland but across the UK, for advice on how to approach work with young people with disorders on the autistic spectrum.

I have taken an interest in this subject over many years, and I first came across young people with disorders on the autistic spectrum 30 years ago as a young art therapist. It is fair to say that there have been a number of positive moves both in recognising the range of issues that people face, and in looking at different ways of working with people and the different services required. Despite all those improvements, all of us as elected Members of Parliament will come across people in our constituencies who still have to battle, fight and almost scream from the rooftops to get the services that they need for their children.

One difficulty that people often face—I certainly experienced this as the Minister responsible for education in Scotland when I tried to introduce legislation that should have provided additional support for learning—arises because parents are suspicious of any change, as they feel that it might lessen the rights of young people, rather than give them increased rights to education and other support.

This morning, I received in my e-mail inbox a piece of correspondence from a constituent, which I think sums up how much further we still have to go. The parents were writing about the needs of their teenage son, and the difficulties that they have encountered in finding appropriate educational placements. Their son is already in a school but, according to the parents, that school does not have the necessary skills and experience to cope with him and does not want him there for reasons of health and safety. Another school has been identified in the local authority area, and although it has the skills and expertise, it does not have enough support staff to take the teenager on. The parents are extremely worried about the impact of budget cuts that are already being made in the local authority, with learning support assistants—and others—being made redundant.

As a result, those parents told me that they do not know whether any schooling will be available for their son after the summer break. They have been advised by both schools that they are unlikely to hear anything from the education authority until two days before the start of the new school term. All hon. Members who are aware of the issues surrounding education for young people with disorders on the autistic spectrum will know that that is an unacceptable way to deal with young people who require support and preparation, and for their parents, who need to know what is going to happen.

I am conscious of the time, but I want to say that we must work to identify who these young people are. Every local authority and health board has a responsibility

to identify young people with disorders on the autistic spectrum and put in place appropriate support packages. I am concerned that we are not doing enough to recognise that those young people will grow into adults, and at some stage will require not only support to enter further education or employment and all that goes with that, but support with the ageing process. At some stage, there will be a significant number of people approaching their elderly years who are diagnosed as having a disorder on the autistic spectrum. We have not done anything to look at that issue.

It is important that parents receive support. Everyone who has been the parent of a teenager knows that it is a difficult time. I used to joke that my son disappeared into his bedroom aged 14, and came out a better person aged 17. [HON. MEMBERS: "Too early!"] Perhaps I was lucky. For people who have teenagers with disorders on the autistic spectrum, it is a difficult enough period. The added pressures and the support that parents require have not been adequately recognised.

We must pay attention to the number of people who end up in young offenders institutions and prison systems but who probably, had their condition been picked up at an earlier stage, would have been diagnosed as being somewhere on the autistic spectrum. I have also raised that issue in a Scottish context. When people are in a place such as a young offenders institution or prison, we should be able to identify the problem, get them the appropriate help and support, and look specifically at how we can help them in the future.

I am grateful for the opportunity to make a brief contribution to the debate. When the Minister responds, perhaps she will say something about what the Government are planning to do about the transition from education into employment, and about the specific issue of how we can provide support for people as they go through the ageing process and inevitably require a degree of support from the state.

Mr Joe Benton (in the Chair): I call Roger Buckland.

3.8 pm

Mr Robert Buckland (South Swindon) (Con): Thank you, Mr Benton, for giving me my father's name. Robert Buckland is my true name. I am grateful for the opportunity to speak in this debate, and I congratulate the hon. Member for Stalybridge and Hyde (Jonathan Reynolds) on an excellent and comprehensive analysis of the report from the National Autistic Society, which many of us have read and found extremely useful.

I declare an interest because, like the hon. Gentleman, I am the parent of a child on the autistic spectrum. My experience, although initially negative, is something that I have decided to try to be positive about, again like the hon. Gentleman. Having had the honour of being elected to this place, I regard it as my duty to raise those experiences, talk about them and do whatever I can to advance the cause of children, young people and adults with autism, the autistic spectrum disorder and Asperger's syndrome.

The "You Need to Know" campaign touches on an issue that all of us, whether Members of Parliament, parents, professionals or members of the public, may have experienced in recent years, as the extent of the diagnosis of autism has dramatically increased. A group of individuals and their families feel utterly isolated because their experiences have, in the words of the hon. Member for Mid Dorset and North Poole (Annette Brooke), resulted in their having to scream and shout from the rooftops, bang on doors and adopt behaviour that they might never have contemplated at the beginning of their journey. I simply ask the eternal question: why does it have to be like this? Why on earth are we still in this position in the second decade of the 21st century? The National Autistic Society was founded nearly 50 years ago. Medical research on, and analysis of, the condition that we now know as autism began as long as 70 years ago. I appreciate that the calls on the public purse are immense, but progress on this issue is too slow, and that is betraying an entire generation of children and young people.

Provision for the transition from youth to adulthood is—I hesitate to say this, but I will press on none the less—nothing short of scandalous. The excellent provision in the education and children's services sector suddenly vanishes when the young person reaches the magic, or should I say tragic, age of adulthood. Time and again, I have met constituents who are crying out for the help and support that they thoroughly deserve, but who are not getting it. They understand and are conscious of the fact that they are increasingly a burden on our society, but it should not be like that. They should not be a burden on the rest of us; they should be making a valuable and meaningful contribution to our society. We should not forget the talents, idiosyncrasies and amazing abilities of children and young people with such lifelong conditions. I talked about the initially negative experience of learning and understanding that one's child has autism. As I said at the beginning, however, the positive aspect of such conditions must not be forgotten. These children and young people are not a burden; they add to the mosaic of human experience, and we need to understand and embrace that as we address the questions.

I know that we have touched on this point in the debate, but we should not forget the position of parents and carers of young people with autism. All of us with experience and knowledge of the position of parents and carers will understand that the pressure on them is often intolerable. They often need support and access to mental health services themselves if we are to avoid some appalling scenarios. In one appalling case in south Wales recently—I will not go into it, because it is sub judice—a parent was detained under the Mental Health Act 1983, and a young child lost his life. In the second decade of the 21st century, that is unacceptable in any book.

Hon. Members have eloquently outlined the need for training, and I need not repeat what they have said. Professionals who are outside this place, or who may be present, will say that they are doing all they can with limited resources to deal with the huge variety of problems they are presented with as paediatricians in the national health service or as mental health practitioners. I understand that resources are tight, but as has been said—I make no apology for repeating it—there is huge potential for saving money by intervening early and recognising problems. In these times, when finance is understandably the Government's paramount consideration, is that not a strong and persuasive argument for supporting provision?

Mr Russell Brown (Dumfries and Galloway) (Lab): My hon. Friend the Member for Stalybridge and Hyde (Jonathan Reynolds) mentioned west Berkshire. As a

[Mr Russell Brown]

result of the pressure that I and others in my locality have put on our local health board, we now have an integrated ASD network, with speech and language therapists and a whole host of professionals. The hon. Gentleman has hit on the central point: early intervention, with good, sound, solid professionals working together as a team, will make the difference. That can save money in the long term, but, more important, it can alter the quality of life for young people and their families.

Mr Buckland: I thank the hon. Gentleman for that important intervention, which leads to the point that I was about to make. We could spend hours in a chicken-and-egg argument about whether mental health conditions precede autism. Let us not forget that autism is often accompanied by physical disabilities and a range of other conditions, so it is a complex area. Similarly, mental health problems will accompany autism in some families for hereditary or genetic reasons, so it is probably not worth getting into the chicken-and-egg argument.

There is, however, no doubt that a number of young people who present themselves to CAMHS will have had an imperfect or late diagnosis of their condition, and I am afraid that my personal experience in that respect has been rather negative. Experienced paediatricians, whom I will not name, because they are distinguished in their field—one in particular is very distinguished in the medical-legal field—told me that diagnosis at two or three was not possible for autism and ASD. I was a mere layman in those days, and I had not made the journey that I have now, so I accepted what I was told at the time, but I learned later that it was not the case. If that attitude is still prevalent, we have a problem. I do not want to criticise health care professionals, who do a wonderful job, but the point being made by the National Autistic Society is that we need more training, awareness and understanding. That is all we ask for in this debate.

The hon. Member for Mid Dorset and North Poole asked the proper question about transition provisions. We now have the Autism Act 2009, and we await the statutory guidance, which is all-important in fleshing out the bones of the Act. The guidance is key, and we need the Government to give a clear steer in it as to how we manage the transition from childhood to adulthood. That is a key time, but there is, as I have said, a scandalous dislocation in provision, which needs to be dealt with properly.

As the hon. Member for Dumfries and Galloway (Mr Brown) so eloquently said, we need to look at key intervention at the earliest stage. A lot of the mental health conditions that accompany autism can be avoided through early intervention, which would mean that there was less pressure on CAMHS and less of a crisis in the key early and mid-teen years.

I know that other hon. Members want to contribute, so I will finish on this point. We have seen some excellent examples of provision, and west Berkshire has been cited. In authorities such as mine in Swindon, the PCT and children's services are integrated and work very well. They are starting to do the outreach work in CAMHS in the primary sector that will help to identify problems and improve early intervention. However, although that integration is all very well, the question, which the hon. Member for Mid Dorset and North Poole posed, is whether there is proper integration with adult services. Therein lies the problem, and more work needs to be done.

I am grateful for being allowed to contribute to the debate. I hope that this will be the first of many contributions that I make on the subject in the years ahead. I thank you for allowing me to speak, Mr Benton.

3.19 pm

Mr Andrew Smith (Oxford East) (Lab): I, too, congratulate my hon. Friend the Member for Stalybridge and Hyde (Jonathan Reynolds) on securing this important debate and on his well informed and persuasive speech. It is encouraging that the debate is so well attended and that it is informed by the personal experience of parents of children with autism.

Like other hon. Members I have received a number of representations from constituents in support of the National Autistic Society "You Need to Know" campaign. I applaud the work of the society and its supporters in raising the profile of the needs of children and young people with autism and of the importance of ensuring that there is proper diagnosis and support from CAMHS, GPs and other health professionals for the 70% of children with autism who also have mental health issues.

My hon. Friend set out both the range of difficulties that young people face as they go through life and the opportunities that are opened up by the right skilled help. I want to raise a couple of points that I think are important. The first is the interaction between autism and mental health and the number of young people who are not in education, employment or training. An interesting Audit Commission report on re-engaging young people—published today, coincidentally—includes an analysis of the characteristics of young people in the NEET category, and shows for example that whereas young people with either learning difficulties and disabilities or one or more special educational needs statements comprise 10% of all young people, they comprise 23% of young people who are not in education, employment or training for six months or more. It does not give figures specifically on those with autism, but the proportion will be significant—not counting, of course, those who have not been properly diagnosed. That is an important issue.

One of the key recommendations of the Audit Commission report is that local councils, especially with the transfer of 16-19 funding, and all the existing and coming pressures on local budgets, need to understand the nature of their local NEET population and to target their support appropriately. I urge that understanding the extent of autism and mental health difficulties among those young people should be a key part of the analysis and of the supportive action that needs to be provided by health, education and training professionals.

Another point that I would like to stress follows from the comments of the hon. Members for Mid Dorset and North Poole (Annette Brooke) and for South Swindon (Mr Buckland): it is the importance of improving and joining up support for young people with autism as they move into adulthood, which is understandably a particularly stressful time for the individuals concerned and their parents. Certainly in my area in Oxford, although there is still some way to go, there have been welcome

improvements in support for children and young people in education. Parents have praised to me the work done by Oxford and Cherwell Valley further education college. However, as youngsters become adults it can be an especially uncertain time, when the prospects for work, other meaningful activity, further training, social relationships and housing become problematic, and their parents are getting older. There needs to be a better joined-up approach between health, social services and housing providers so that there is a coherent system of support. As the Audit Commission report recommends, there is a need for better co-ordination between Connexions and Jobcentre Plus, and better handover arrangements as people move forward and look to the possibilities of work.

At a time when local council budgets face huge cuts, it is all the more important that we should speak up for the needs of those young people, which have so often been misunderstood and neglected in the past. They must not be marginalised in the battles for funding ahead. One crucial point from the Audit Commission report is that early intervention and the right early support not only make a huge difference to people's quality of life, but, as the hon. Member for South Swindon said, can save big sums of public money in the long run. The report illustrates that fact by contrasting the example of a young man with Asperger's who gets the right support and ends up with a life in work, and one who does not, and ends up with a life on benefits.

I would be grateful if the Minister let us know what guidance and support will be given to local councils, health authorities and others on relevant matters so that young people with autism and their families can face the future with more confidence, and in particular what action the Government will take to ensure that CAMHS and adult mental health teams work together so that there is the right continuing support.

3.24 pm

Dr John Pugh (Southport) (LD): I want to add a few footnotes to the excellent introduction to the debate by the hon. Member for Stalybridge and Hyde (Jonathan Reynolds), who set out the major issues carefully and meticulously. Mental health and autism cropped up emphatically in debates on the Mental Health Act 2007. We were then largely concerned with the treatment of young people, including making treatment specific to them, rather than putting young people into adult accommodation or the like, or giving them adult services when juvenile services would be appropriate. While recognising that that was not always possible, I pay tribute to the campaign by YoungMinds for adolescents to receive adequate, full treatment no matter what their condition or mental health.

I pay tribute to the work done on the 2007 Act by the hon. Member for East Worthing and Shoreham (Tim Loughton), who has gone on to greater things, and to Baroness Browning, the former Member for Tiverton and Honiton, who was a champion of autistic people in this place and who pioneered the work that was taken on by other hands as the basis for the private Member's Bill that subsequently became the Autism Act 2009. Off the back of the 2007 Act, I carried out my own research on provision for children and adolescents and wrote to every PCT for which I could obtain a name. I wanted to focus particularly on adolescent mental health provision, rather than childhood provision, and on waiting times. I accept the point that all the hon. Members who have spoken have made about the critical nature for families and, obviously, patients, of waiting times—the time between a suspicion that something is wrong and getting a diagnosis and treatment. Those are of course different things—one can get an early diagnosis but be slow in getting treatment.

It is not surprising that that issue is crucial during adolescence, when huge hormonal, physiological, social and personality changes are happening. That is a stage in life when, often, psychotic and other disturbances first become evident. One of the more depressing passages included in the Library debate pack deals with that fact. It states:

"Mental illnesses are the chronic diseases of young people."

It continues:

"It is a curious paradox that better physical health in young people has been accompanied by steadily worsening mental health."

That is indeed what the national statistics show, and it is why early intervention matters, because if it is successful and efficacious it means someone does not have a life of ongoing suffering and disturbances.

My inquiries of the various PCTs unsurprisingly produced patchy results, in accordance with the well-documented contributions made by other hon. Members. There was a general variation in standards, which I think people might expect, and which has been vouched for today, but what disturbed me more was the lack of clarity about who was responsible for the standards. My inquiries were passed from PCT to CAMHS and back. People did not seem clear about who would carry the can if provision were less than adequate. The implication is that for people using the services no one is ultimately responsible; that is the nagging feeling.

Another feature that cropped up in my research was an apparent lack of dedicated facilities and expertise in many places, and a recognition that although in some places there were adequate facilities for children, facilities for adolescents were wholly inadequate. There is no excuse for that state of affairs in relation to Asperger's syndrome and the autistic spectrum, because what is required for progress is very clear. Certainly, early diagnosis is required, but the National Audit Office report that I have seen—which I think Baroness Browning did something to trigger—clearly stated that specialist autism teams were the way forward, coupled with good integration, and so on. That is all known, but hon. Members have reported that across the country none of it has been perfectly accomplished.

May I make a personal constituency point? I increasingly receive complaints from parents of children who are mildly autistic but are now being excluded from services because needs must—there are pressures on local authority resources, as the right hon. Member for Oxford East (Mr Smith) illustrated. That is profoundly depressing, because the result is that people who could progress to independence and, in later life, manage far better for themselves and not become problems as adults are not making progress at the key point at which they could be making the progress necessary to become independent of parents and institutions.

My conclusion and, I think, the conclusion of the whole debate is that we are confronted with a situation in which there is a known complaint, a known solution,

[Dr John Pugh]

enormous support from the voluntary sector and clarity about what is required, but on the statutory side there is a somewhat ham-fisted response. Getting that ham-fisted response removed and replaced with something better is the thrust of the debate.

3.30 pm

Roger Williams (Brecon and Radnorshire) (LD): It is a great pleasure and privilege to contribute briefly to the debate. I congratulate the hon. Members for Stalybridge and Hyde (Jonathan Reynolds) and for South Swindon (Mr Buckland) on making contributions based on their personal and family experience of this matter. Many of us have not had that experience and our comments come from a different level of understanding. However, the message that I get from the debate is that given the level of understanding and competence that there is for this condition, there should be much better training for the professionals involved and much better working together and co-ordination between those professionals—between people in the medical profession, between people in education and between people in social services.

Some of the things that I shall say may seem a little cold and uncaring, but although the diagnosis of autism and the triad of impairments—the three conditions that lead to a classical diagnosis of autism—have been established, we have since realised that this is a spectrum condition. Every child, every young person—and every adult, for that matter—is an individual and their needs are different.

I first became aware of this issue a long time ago, when I became a governor of a special school at about the time that Baroness Warnock produced her report that changed our attitude to the education of children with special needs. The idea was that every child should have the support appropriate to them. We have moved on a long way: at that time, autism was hardly ever talked about, and I did not really have an understanding of it. Our knowledge has moved on a lot and improved, and professionals have a much better opportunity to use it. My point this afternoon is that we still need to do more fundamental research on the condition. What causes it? Is there a genetic element to it? Is there an environmental element? Is there a social element? At the moment, we just do not have the necessary understanding of those issues, and unless we can understand them, the way we intervene will not be as effective as it should be.

The other day, I was at the Hay festival, which is in my constituency—if anyone wants to attend, they will be very welcome—at an event with Simon Baron-Cohen, who is a researcher at Cambridge university. He was looking at personality disorders and then autism. Obviously, autism is not a personality disorder, but the issue of empathy is relevant. People with personality disorders are unable to relate to other people, and there is an element within autism of finding it difficult to understand the nature of a person's response. The good news was that that gentleman, doing his research, felt that there were ways in which the research could be used to ensure that interventions and the way autism is treated are more successfully dealt with and lead to great improvements in the quality of people's lives.

My message to the Minister is therefore: please, in all this, do not forget the fundamental research that is essential if we are to make progress. Yes, make use of the knowledge that we have, but do not think that that knowledge is comprehensive, because it can be improved and then the lives of people with this condition will be improved as well.

3.35 pm

Pat Glass (North West Durham) (Lab): I thank my hon. Friend the Member for Stalybridge and Hyde (Jonathan Reynolds) for securing the debate, which has been excellent. I do not disagree with anything that I have heard, nor do I intend to repeat any of it. I shall concentrate on the areas that I have the most concerns about.

We have come a long way in recent years and there have been improvements, particularly in education, but we must not be complacent and there is still a long way to go. The two areas that I have the greatest concern about are transition, which I shall come on to, and diagnosis. This refers back to the issues of child and adolescent mental health services. In my experience, far too many children still receive a diagnosis that is less related to their symptoms and difficulties than to who they are and where they live. I still see too many cases in which clinicians go down the route of attention deficit hyperactivity disorder or EBD—emotional and behavioural difficulties—first, because of the family and where they live. That means that those children and their families do not gain access to the diagnosis, services and provision that they need. That is one concern, and it relates to what I said in an intervention about the quality and consistency of CAMHS across the country. If people look at the issue geographically—on a map, as I have done—they will see hot spots of certain diagnoses, and sometimes around certain clinicians. Those issues need to be addressed.

Everything that I have heard today about transition, particularly transition in the early years, is absolutely correct. If we get that right and provide access to the right services—good, well co-ordinated provision—the mental health of those children and their families will be much improved, outcomes will be much improved and we will save money in the long run. Transition in the early years is crucial and will save us money in a time of austerity.

The transition at the other end is also an issue. A lot of emphasis has been placed on that in recent years, but in my experience that has been about the process—the right forms filled in by the right people, and the right people being at the right meetings at the right time. For the families, the process can be fabulous, but if there is nothing to transition on to, it is a disaster for them.

When I was in my former role in education, we recognised that there was almost a time bomb here. Children are going through the education services and coming up to the adult services, but those services are not there for them. Will the Minister consider the issues of diagnosis and quality of provision across the country to ensure that a child's diagnosis is right and not based on the family's circumstances or socio-economic grouping? Will she also consider transition in relation to the quality of provision, not just the processes, forms and meetings?

3.38 pm

Mr Mark Williams (Ceredigion) (LD): I thank the hon. Member for North West Durham (Pat Glass) and my hon. Friend the Member for Brecon and Radnorshire

(Roger Williams) for the speed with which they spoke. I intended to make a bigger contribution about some of the good precedents and good practice that we have experienced in Wales, in the hope that the Minister might have a look at that, but I shall just highlight the launch on 28 June by the Welsh Assembly Government of their new child and adolescent mental health strategy and the work commissioned by the Assembly Government from Professor Sue Leekam of the Wales Autism Research Centre. It is undertaking evaluation of the assessment and diagnosis of children with disorders on the autistic spectrum, which will analyse and strategically examine CAMHS provision and many of the inadequacies of that, particularly in professional training, which we have heard about from hon. Members.

I wish to highlight also the work being undertaken by the Betsi Cadwaladr university health board, which operates in north Wales, to develop a register for children and young people with autism. I applaud what the hon. Member for North West Durham said about the lottery of service provision, but the strong message is that we must identify the extent of the challenges that face the nation. The problem was not addressed by previous Governments; I hope that it will be addressed by this one.

I end with a brief anecdote. We have heard some powerful stories this afternoon. My earlier intervention about teacher training was deliberate. I spent 12 years in the classroom and I always realised that, even as a professional, I was sometimes failing the children in my care. The problem of the little girl who used to wander around the playground with no friends should have been addressed, but teachers are not often equipped to do so. The fact was that when we told her, "Don't touch the hot boiler in the corner of the room," we knew that she would probably end up touching it and burn herself. I should have been equipped to deal with the many problems that that girl presented.

However, there are huge opportunities, which is a point that was made strongly by the hon. Member for Stalybridge and Hyde (Jonathan Reynolds) and others. If we create the right environment—a nurturing, caring and enriching environment—in our classrooms and in our health service provision, people on the autistic spectrum will be able to make a huge and valuable contribution to society.

I am sorry for speaking so quickly, Mr Benton, but thank you for allowing me to contribute.

3.41 pm

Barbara Keeley (Worsley and Eccles South) (Lab): It is a pleasure to serve under your chairmanship again, Mr Benton, and I congratulate my hon. Friend the Member for Stalybridge and Hyde (Jonathan Reynolds) on securing an important debate to which many hon. Members have contributed.

I pay tribute to my hon. Friend and to those parents—we heard about them again today, and our debate has been enriched—who have campaigned for vital improvements to services. As of yesterday, 136 Members from all parties, including my hon. Friend and, I expect, others here today, had signed early-day motion 160, which highlights the fact that 10,000 children with autism use child and adolescent mental health services every year. It also highlights a survey showing that using such services will not improve the mental health of two thirds of those children. As my hon. Friend said, the children are not getting the support that they need.

Children with autism are particularly susceptible to developing mental health problems, and many Members mentioned the fact that there is a range of reasons for that. Such children may experience social isolation, and 70% of children with autism struggle to make and keep friends, compared to 10% of other children. Children and young people with autism also find it challenging or impossible to express how they are feeling. The struggle to communicate causes frustration and anger, which can lead to mental health problems.

With the right support given at the right time, many of those problems can be prevented. Given that one child in 10 who accesses child and adolescent mental health services has autism, that should be a priority for the professionals in that service. However, only just over half the parents surveyed by the National Autistic Society thought that staff working in CAMHS had a good understanding of autism. Many of the professionals to whom the society spoke felt strongly that there were not enough training opportunities—many hon. Members touched on that point. Professionals need to develop their clinical expertise in order to work with children with autism and mental health problems. There is good experience of that happening up and down the country.

The high number of children with autism, coupled with the lack of skilled professionals, leads to many children being seen by professionals who are unable to meet their needs or simply being turned away. I have some questions for the Minister; I may be repeating some of them, but it will not hurt to do so. Will the Government ensure that all child and adolescent mental health professionals are provided at least with basic autism training, so that they can meet their duties to make "reasonable adjustments" under the Disability Discrimination Act 1995 and provide services that meet children's needs? How will the Government ensure that specialist autism support is available within CAMHS?

As we have heard, autism is a complex disability. When mental health problems arise in children with autism, they are harder to recognise, evaluate and treat. Professionals need a good working knowledge of autism to do those things. Providing mental health support to children with autism is a specialist skill, and research conducted by the National Autistic Society found that if an autism specialist is involved in the support of such children, outcomes and service satisfaction improve dramatically. Indeed, those parents whose children had received support from a specialist in autism were twice as likely as those whose children had not to agree that the child and adolescent mental health service had improved their child's mental health. Sadly, coverage is not good, and only two in five parents say that their child has had such support.

Specialist autism support is vital. We need to adapt therapies and interventions so that they are effective. Skilful adaptations will obviously make them relevant and useful to children with autism. Many Members spoke of the importance of early intervention. Autism specialists can also help other professionals to develop their skills, and they should share their experience with schools and social services.

The subject of commissioning was mentioned by a number of Members. It is particularly important, given the radical changes that the Government have indicated that they wish to make to local commissioning. The way services are commissioned locally for children with autism and mental health problems is clearly important.

[Barbara Keeley]

Commissioners obviously need to know how many children with autism live in their area, how many of those children also have mental health problems and how local services are working. They need expert advice on what is needed to deliver the right mental health services. They then need to use those data to plan the right services for the children. If the commissioning changes that have been signalled are to be made, it is important to take those factors on board.

Commissioning must also take account of CAMHS waiting times, rates of return and family outcomes for children with autism. Specific local pathways should be developed for the mental health support of children with autism. Parents and children affected should be involved in the commissioning process, together with front-line professionals.

The Labour Government introduced a vital new duty, which came into force in April 2010. Children's trusts now have to plan to meet the needs of children with special needs and disabilities. That represents a significant step forward. What action will the Government take to build on Labour's work, to ensure that services are planned and commissioned at the local level so that every child with autism and mental health problems starts to get the support they need? How will the Government ensure that parents and young people are involved in the development of services to ensure that they meet local needs?

We know that the number of children with learning disabilities and of children with autism who use such services are similar. It is clear from improvements to services for children with learning disabilities achieved under Labour that having the right measures in place does make a difference, which was mentioned during the debate. As my hon. Friend the Member for Stalybridge and Hyde said, the Labour Government achieved improvements to services for children with learning disabilities through the 2004 national service framework. That highlighted the importance of providing adequate child and adolescent mental health services for children and young people with learning disabilities.

Specialist training, the adequate resourcing of learning disability specialist support and access to specialist in-patient support were also recommended. As we heard, a specific indicator was recommended for local authorities to rate themselves on their provision. As a result, specialist support for children with learning disabilities more than doubled between 2005 and 2007. In 2010, two thirds of primary care trusts rated themselves four out of four for their provision of CAMHS for children with learning disabilities. Based on the improvements for children with learning disabilities made under Labour, I urge the Government to commit themselves to achieving the same benefits in the coming months and years for children and young people with autism.

I shall speak briefly about early intervention. As was said by my hon. Friend the Member for Dumfries and Galloway (Mr Brown) and my right hon. Friend the Member for Oxford East (Mr Smith), putting support in place early makes a big difference in the long run. It can help to prevent difficulties from escalating into mental health problems. Over recent years, there has been a strong focus on improving support for children with autism and improving the emotional well-being of children with autism in schools. I hope that that continues.

The autism inclusion development programme has helped to improve teacher training. The social and emotional aspects of learning programme has helped pupils at school to gain emotional and social skills, and has helped them with self-awareness and managing their emotions. The early support programme has helped families of disabled children under the age of five to get co-ordinated support and information early, so that problems do not escalate.

Hon. Members touched on the fact that Labour initiatives, such as the Every Child Matters agenda, also helped to ensure that agencies work together, which is important in providing support to our most vulnerable children. Parents at the Every Disabled Child Matters reception in the House yesterday wanted assurances from the Minister that schools would continue with the initiative. They felt that they had created the initiative, and that it was not just a Government thing.

Government leadership over recent years has made a significant difference to aspects of the mental health system for children. In today's debate, we are asking for similar action for this other group of children. We must continue to prioritise children and young people with autism because they are among some of the most vulnerable people in our society.

The Minister with responsibility for care services, the hon. Member for Sutton and Cheam (Mr Burstow), spoke about the campaign to make good mental health for children with autism a reality:

> "There is no doubt that these changes can happen, where there is a will on the ground to make them happen."

I hope the Minister confirms that the Government have that will, as many hon. Members from all parts of the House have shown that they have in the debate today.

3.51 pm

The Parliamentary Under-Secretary of State for Health (Anne Milton): I congratulate the hon. Member for Stalybridge and Hyde (Jonathan Reynolds) on securing both this debate and his seat. The subject is of huge importance to him, and he brought with him his invaluable personal experience, as indeed did the hon. Member for Manchester, Withington (Mr Leech) and my hon. Friend the Member for South Swindon (Mr Buckland). Those personal experiences are crucial to the debate, as are the contributions from those who are experienced in the provision of services. This debate is vital, and I will ensure that all the representations that have been made today are fed back into the policy process. Time is short, but I will just say to the hon. Member for Worsley and Eccles South (Barbara Keeley), who speaks for the Opposition, that some of us were fortunate enough to have listened to and participated in debates on the Autism Act 2009, promoted by my right hon. Friend the Member for Chesham and Amersham (Mrs Gillan), as it made its passage through the previous Parliament. At the time, there was an increasing dislike of and disillusionment with politicians, so I mention that measure because it showed this place in its very best light. It was about cross-party working and building a consensus. It was a genuine attempt by Members from all parts of the House to work together to improve the lives of others—in this instance it was the lives of those with autism. I pay tribute to Angela Browning, the former Member for Tiverton and Honiton, who was sometimes a lone voice

calling for services for people with autism. She, too, brought her own personal experiences to the debate thereby helping to raise us to the next level.

I echo the comments made by the Minister of State, Department of Health, my hon. Friend the. Member for Sutton and Cheam (Mr Burstow), at the recent National Autistic Society reception. He said that the standards of care highlighted by the society in its "You Need to Know" report are unacceptable. He was grateful to the society—as indeed we all are—for its tireless campaigning, and was struck by the particular contribution of the young campaigners group. I am sure that he would pay tribute to them were he able to be here today.

The coalition's programme for government makes it clear that we are committed to supporting the most vulnerable and to tackling health inequalities. There is strong consensus on what needs to be done to improve the emotional well-being and mental health of children and young people. More work is needed on prevention, early diagnosis and early intervention. Those are the key things that are needed by people with autism and mental health problems. We need better integrated working and more evidence-based approaches. The work force must be developed, and, crucially, we must do more to tackle stigma for people not only with autism but with mental ill health.

The National Advisory Council for Children's Mental Health and Emotional Wellbeing report earlier this year reinforced the scale of that challenge. It called for action to strengthen leadership, build a confident and skilled work force, improve commissioning and ensure real participation by children and young people in service development. For me, commissioning is a vital part of that. It has never been done that well, but there is a general acceptance of the fact that if we improve commissioning, the services will then follow. As has been mentioned during this debate, there are examples of best practice, which we need to be able to transport to other areas. We need to consider all those issues to get the services that we want.

The Government have also promised to deliver measures in "Fulfilling and rewarding lives: the strategy for adults with autism in England". There are many areas in which improvement in adult autism services will yield benefits for children's services, such as developing local autism teams, improving access to diagnosis, better planning and better commissioning of services. As several hon. Members have said, raising awareness of the issue and improving skills in the work force should go much wider than just those working in the autism field, and should include teachers and sports clubs and all those who are involved with young people.

Our focus must be on improving the quality of services that we provide to all children. We must ensure that no one suffers the indignities and difficulties that are sadly all too common. I am referring to the frightened young person who is restrained by police because crisis services were not available; the child who feels isolated and frustrated, only to find that health care staff are not trained to help or able to understand them; the parents who desperately want to see an improvement but feel let down by services that do not treat their children as people with individual needs; and parents who are desperate, isolated and at the end of their tether. That is why it is so important to improve the standard of care across the board.

We must plan and build on the work that has been done on integrating services so that local partnerships can work together to deliver what we want. It will require incredible commitment from local NHS providers to engage with the work force to resolve difficult issues such as training and service design. Improving the reach and quality of child and adolescent mental health care means looking carefully at the different services that make up the whole picture. I am referring to universal services that play a pivotal role in promotion for all children and young people; targeted services that provide early interventions for vulnerable children and young people; and specialist services, which the hon. Member for Stalybridge and Hyde mentioned, for young people with complex, severe or persistent needs.

Dr Pugh *rose—*

Anne Milton: I am sorry, there is no time. I already have far too many questions to answer. If hon. Members feel that their questions have not be answered or addressed, I urge them to write to me and I will make sure that we respond.

Barbara Keeley: When there have been a great number of questions, it is more usual for the Minister to agree to write to us rather than expect us to write to her.

Anne Milton: I am sorry for that error. I thought that I said that I would write. I thank the hon. Lady for raising that.

I have only two minutes left. The hon. Member for Stalybridge and Hyde said that staff working in child and adolescent mental health services should have the necessary values, competences and skills. That is vital. The coalition document made it clear that we are committed to supporting the most vulnerable and to tackling health inequalities, and we will make more announcements about public health. Appropriate tier 4 child and adolescent mental health services should be available to all children who require them, including children with autism. There are a number of other vital issues, including diagnosis and transition. I am proud of my own field, which was highlighted by the previous Government, for some of the things that they achieved on transition. I should also like to pay tribute to Sara Truman, who has done a huge amount of work with the National Autistic Society.

We have not touched on the health outcomes for people with autism and mental health problems, but if we look at them we will find that they are truly shocking. Parents and carers carry a huge burden. There are many issues that we have not covered, including respite and research. We still do not understand why people get autism. We also need to look at those children who are not yet diagnosed. There are significant challenges that will require real commitment and buy-in from the staff who work hard in CAMHS across the country, but I am greatly encouraged by the number of contributions here today and by the amount of expertise that is sitting here. There is a role for Government to play. I hope that hon. Members appreciate that we cannot provide all the answers—

Mr Joe Benton (in the Chair): Order. We must move on to the next debate.

Court Closures (Yorkshire)

4 pm

Andrew Percy (Brigg and Goole) (Con): Thank you, Mr Benton, for allowing me my first Westminster Hall debate on an issue that is of particular importance to my constituents in Goole.

Before I go any further, I just want to say that I understand many of the pressures on Her Majesty's Courts Service, particularly given the fact that in the last three years of the previous Government, magistrates services received a 7.5% funding cut in the—*[Interruption.]*

Mr Joe Benton (in the Chair): Order. Would Members leave Westminster Hall quietly, please?

Andrew Percy: As I was saying, Mr Benton, there was a 7.5% cut in magistrates budgets, which occurred for each of the three years before the general election. There is also a massive backlog in refurbishment and capital projects, which built up in HMCS in the previous few years. In Goole, that backlog stands at £80,000. I could make some comments about the fact that it was a shame that in the run-up to the general election, when Labour Ministers were heading to my constituency with all sorts of blank cheques, they did not offer a blank cheque on court services.

I want to confine most of my comments this afternoon to the proposal to deal with the court at Goole. As I have made clear to the Speaker's Office, my hon. Friend the Member for Selby and Ainsty (Nigel Adams) will, with your permission, Mr Benton, take some of my allotted time to speak about the closures in Selby. There is a proposal to close the county court in Goole and to merge the local justice areas, but that proposal is less controversial, and indeed it is something that the magistrates in the Goole area do not oppose.

There are a number of reasons why the magistrates service in Goole should continue. Those reasons relate to the efficiency of the court, which was shown by a review just 10 years ago, and to the cost implications for my constituents in the Goole area if the court should close. Goole magistrates court is administered within the Humber and South Yorkshire region, which consists of the courts in the East Riding of Yorkshire, northern Lincolnshire and south Yorkshire. There is evidence that the throughput of work at Goole is the second most efficient in the Humber and South Yorkshire grouping of magistrates courts. There is a very low ineffective trial rate at Goole, and trials at Goole are listed much more quickly than in larger courts. The proposal is to move the work from Goole to a much larger court at Beverley. Breaches of court orders can be dealt with very quickly at Goole. My own personal view—and what I hoped was the view of the new Government—is that bigger is not always better when it comes to the delivery of services.

The courts building at Goole is fully compliant with the Disability Discrimination Act 1995, which is made clear in the consultation document about the proposed closure. There is a peppercorn rent for the facilities in Goole, and there is a 125-year lease for the building that will not expire until 2130, so there will be no problems in relation to those running costs in the next few years. There is also a modern prison and vulnerable witness link in place, and the court building itself is situated right next to the police station, with adjoining access to modern and recently refurbished cells.

The utilisation rate in the two courts at Goole would be at 80% but for the fact that a number of meetings and other hearings are held in court two. That utilisation rate compares with what we are told in the consultation document is a relatively low utilisation rate of the courts at Beverley. I would like an assurance from the Minister that the court at Goole is not being closed simply to solve that under-utilisation problem.

Of course, there is also a huge issue relating to localism. As a coalition, we are committed to a localism agenda and I am increasingly concerned that, if we should lose the court in Goole along with the magistrates court in Selby, we will effectively be left with a justice "black hole" in our part of the country. Our court in Goole deals with a number of family matters, which are best dealt with locally. As I said a few moments ago, the courthouse in Goole is situated next to the local police station, which itself was recently renovated at a cost of £2 million. The cells at the police station were also recently refurbished, at a substantial cost to the local police authority.

A review was undertaken of the court services in the East Riding of Yorkshire about 10 years ago. At that time, our county lost the magistrates courts at Howden, Pocklington, Brough, Driffield and Withernsea. We were left with the court in Beverley—anyone who knows the geography of the East Riding of Yorkshire, as I hope hon. Members do, will know that Beverley is roughly in the centre of the East Riding—and courts at the two extremes of the East Riding. One is in the east at Bridlington and the other is in Goole, in the western part of the East Riding. Of course, we also have the magistrates court in the large city of Hull.

Little has changed in Goole or indeed in much of the East Riding since that review was undertaken, except that we have had an influx of immigration from eastern Europe, which—I must be careful with my wording—has presented the courts with certain issues. I would suggest that that actually strengthens the case in favour of retaining our court in Goole. After the review 10 years ago, the rural parts of the East Riding were left with courts at Beverley, Bridlington and Goole. The arguments that are being used to close the court at Goole now are exactly the same arguments that could be used in relation to the court at Bridlington, although there are no proposals to change what is happening there—and I am not suggesting that we should save the court at Goole and sacrifice the court at Bridlington. There is a strong case to keep both courts.

The consultation document makes it very clear that the court in Goole is administered from Beverley and that legal advisers travel from Beverley to attend the court in Goole. The same administrative unit also covers the magistrates courts in Beverley and Bridlington. We in the Goole area are therefore a little confused as to why the area is being treated differently from Bridlington, which is 22.5 miles away from Beverley, compared to Goole, which is 28 miles away from Beverley.

If the closure of the court at Goole goes ahead, there will be massive cost issues. Goole is one of the most deprived areas in the East Riding, and on certain measures it is among the 10 most deprived areas in England. A high proportion of our residents are on low incomes or

in receipt of benefits, so I have a huge concern about the transport costs involved in getting to Goole from Beverley if the closure goes ahead. There are not just the costs of witnesses to consider, but the costs of family members who may wish to go and support people in court.

There are no direct buses to Beverley from Goole. To get to Beverley from Goole, someone would have to take a public bus to Hull, in the process almost going past the magistrates court in Hull, before changing bus to continue the journey up to Beverley. That journey would be close to 40 miles in total, so the distance of 28 miles that was quoted in the consultation document only applies to those who have access to a vehicle. There is a train service from Goole to Beverley but, equally bizarrely, the train service, too, passes through Hull before going on to Beverley. The cost of a return train journey is £11.90 and travelling by bus from Goole to Beverley would take a minimum of 1 hour and 25 minutes, involving the change in Hull that I have just mentioned, so there would be huge costs for anybody who wants to travel to Beverley from Goole via public transport. Furthermore, Beverley has some of the highest parking charges in the East Riding for anybody who wished to drive there.

We must also consider the historical value of the court building at Goole. We are trying to build up awareness of the history and heritage of the town. The court building is a late Victorian building, and one of the oldest buildings in Goole. Although its historical value may not be much of an argument in the rationalisation of HMCS, its closure would have a huge impact on the regeneration of Goole. The building is particularly beautiful, and we are concerned about what would happen to it should we lose the court.

I would like the Minister to tell us whether we can have a full breakdown of the running costs in 2009-10 of the court at Goole. Some broad figures are given in the consultation document, none of which tell us a great deal. I want to know how those running costs were quantified and how they compare with the running costs of the court at Bridlington. Can the Minister also give us an assessment of the likely costs for justices of the peace and witnesses to travel to Beverley, and say what consideration has been given to diversifying work at Goole? I am not in favour of someone being against something unless they have other solutions. Has any work been undertaken on bringing other services into the court at Goole, such as the tribunal service?

The new coalition Government have made a commitment to localism. I hope that in the 10 minutes in which I have spoken, I have made a strong case for why we in the Goole area, on the edge of the East Riding, deserve to be treated a little differently in the closure programme. The East Riding is the biggest unitary authority in the country and the decisions made 10 years ago were made for very sensible reasons: to maintain one service in the centre and two on the extremes either side of the East Riding. With your permission, Mr Benton, I shall hand over to my hon. Friend and colleague the Member for Selby and Ainsty, who will no doubt wish to speak about the issues affecting Selby.

4.10 pm

Nigel Adams (Selby and Ainsty) (Con): I am grateful to my hon. Friend the Member for Brigg and Goole (Andrew Percy) for securing this Westminster Hall debate. Although I understand that the consultation is ongoing, I would like to use this opportunity to put forward a case for retaining Selby magistrates court.

Both Selby and Goole magistrates courts are in vital positions, and the closure of either or both presents a real risk of what my hon. Friend referred to as a justice black hole in our local area. If Selby magistrates court is closed, the nearest courthouse for my constituents is York, which will involve defendants and witnesses leaving the constituency to travel there. For my constituents in the southern district of Selby and Ainsty, that is a particularly long journey. It is incredibly inconvenient to get to York using public transport, and it would be almost impossible to arrive on time for an early morning hearing. From the south of my constituency—below the M62—there is no direct access to buses or trains to York and constituents would instead have to go via Selby or Leeds to travel to York magistrates court.

The Magistrates Association has specified that everyone should be able to reach their local magistrates court within an hour. For people in the south of my constituency, that will not be possible if the court in Selby is closed. I have been informed by the area director of Her Majesty's Courts Service in north and west Yorkshire that no HMCS staff are currently based at Selby magistrates court, and that it is now seen as a satellite court. However, it would be preferable for court staff to travel from York to work, rather than to expect, hope and assume that witnesses and defendants, particularly those from the south of my constituency, will make the extra journey to York magistrates court.

The rolling monthly average percentage of courtroom utilisation in Selby magistrates court was 60.6% in the financial year 2009-10, which is just below the national average of 64%. Courtroom utilisation is defined as the time a courtroom is used, against the hours that it is available for use. Given that the usage of Selby magistrates court is aligned with the national average, it does not make much sense that it is closed instead of other magistrates courts, such as those in Blandford, Bournemouth, Poole, Weymouth and Wimborne in Dorset. The overall reduction in work load in those courts led to a utilisation rate in Dorset in 2009-10 of just 38.8%, which is almost half that of Selby. The situation is similar in Lincolnshire; there are courts in Boston, Grantham, Lincoln, Skegness, and Spalding, and courtroom utilisation is just 37.2%.

Over the past 18 months, Selby magistrates court has actually transferred certain motoring and trading standards cases to, among other places, Northallerton magistrates court. Those courts were under threat of closure because of lack of work. Selby came under the threat of closure in 2003, but—as is the case now—the proposal came up against strong opposition from the Selby bench, and a casting vote at the North Yorkshire magistrates court committee decided the matter.

Is the Minister aware that after securing the future of Selby magistrates court in 2003, substantial improvement and remedial work was carried out on the courthouse, which cost the taxpayer around £821,000? It was reopened in 2008 following that refurbishment. The overhaul included facilities for the disabled, which are not provided in York. Selby is therefore the designated court for York's disabled population. We also have vulnerable witness capabilities at Selby, such as a specialist court for hearing domestic violence cases, and the technology

[Nigel Adams]

to view CCTV evidence and to use video links for vulnerable witnesses. None of those facilities is provided at York magistrates court.

By bringing York's services up to the same standard as those in Selby the Minister would be creating more expense for the taxpayer. It is estimated that an investment of £170,000 would be needed to provide the facilities required under the Disability Discrimination Act 1995, and which are currently available at Selby. The dock in court two at York would also need refurbishment if the decision to close Selby went ahead.

There is a case for retaining Selby magistrates court in light of the £821,000 recently spent and the special facilities it offers. I fully appreciate the dire financial legacy that the previous Government have left behind and the need to make cost savings, but I would find it difficult to justify closure of a service that has recently cost the taxpayer almost £1 million. Selling off the whole building would not realise anywhere near that sum. I urge the Minister to take those points into account during his consultation.

4.16 pm

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): I thank my hon. Friends the Members for Brigg and Goole (Andrew Percy) and for Selby and Ainsty (Nigel Adams) for contributing to the debate. I compliment them on the quality and sincerity of their defence of their local courts.

I shall set out the Government's position on the court reform proposals, and provide some details about the courts that currently sit in Goole and Selby. I shall also explain the reasoning behind the inclusion of those courts on the list of possible closures.

In my new role, I have taken the opportunity to visit courts and meet the staff, professional judiciary and magistrates who work hard to deliver justice in communities throughout England and Wales. I have been very impressed by all that I have seen so far. It is evident that courts are run by a dedicated partnership of Her Majesty's Courts Service staff and judiciary, and I am personally committed to continuing to support their contribution to justice.

What has also been clear in my first few weeks in office is the country's economic position, and the immediate need to take action to address the structural deficit. Following the emergency Budget, my right hon. and learned Friend the Lord Chancellor outlined our plans to consult on the closure of a number of courts, as well as to seek wider views on how court services could be modernised. That is one strand of the Ministry of Justice's plans to look critically and holistically at how we deliver justice, and to think about how we continue to deliver those critical services in the future. We have also announced plans to consider sentencing and legal aid.

The decision to consult on the closure of courts was not taken lightly or in isolation. We know we cannot deliver the quality of facilities the public rightly expect and deserve, because we are working out of too many courts. Our low utilisation rate—only 65% across England and Wales—shows that we do not need the number of courts we currently have. Recent improvements in transport and communication links mean that people can travel further in less time if they need to. More can be done to access justice online and via the telephone, which reduces the circumstances in which a visit to court would be necessary.

We need some fresh thinking about the wider issue of access to local justice. We need to consider whether past ideas about needing a court in every town are relevant today or whether—as with almost every other aspect of modern life—things can be done differently, and innovation and technology can be embraced to meet the needs of modern society and ensure better access to justice.

We are already doing a lot to improve the service experienced by witnesses, defendants and other court users. We have increased access to online and telephone services. Currently 70% of money claims, and the vast majority of possession actions are issued centrally via electronic channels. People can pay fines online for driving infringements, or for not paying their TV licence on time. They can also pay off debts or court fees online using a wide variety of methods. We are improving the availability of information provided on the web and over the telephone from dedicated information centres. That will allow front-line staff to focus on people who need to see a judge. We are increasing the use of video link technology between prisons and courts, and piloting video links between police stations and courts.

Whenever possible, we need to support people to explore a variety of dispute resolution routes for family and civil cases. Such routes are better for those involved in cases that can be mediated, as they can avoid unpleasant prolonged and expensive litigation. Such a situation is also better for the courts because it should reduce court time and overall costs.

We are exploring how local communities can support those charged with a minor offence before their criminality escalates. We are working closely with local support agencies and networks to ensure that appropriate help is available for people with multiple underlying problems that drive their offending behaviour.

The court reform consultation seeks views on the proposed closure of 103 magistrates courts and 54 county courts that are underused and have inadequate facilities. It began on 23 June and will run until 15 September. All responses will be fully considered before decisions are made. The consultation will set out a sustainable arrangement of court services across England and Wales to meet the needs of local communities and will allow us to deliver services in the most efficient way. The proposals would achieve savings of £15.3 million a year in running costs and enable us to avoid a maintenance backlog costing £21.5 million. A further assessment will be necessary of the savings that could be achieved and the value that could be released from disposal of the properties. However, I appreciate that those are generalities.

My hon. Friends asked about the two magistrates courts in their constituencies. I have listened to what they have said and will continue to listen to what they and others say during the consultation. The Lord Chancellor's decision on whether to close Goole and Selby magistrates courts will not be easy; nor will his decisions on the other courts listed in the consultation. Each decision is balanced against several factors, including utilisation, maintenance costs and proximity to other courts. My hon. Friends' points are valid, but we have to look at each court's work load in the context of local justice across each area.

Goole magistrates court has a low utilisation rate, as it sits for less than a third of the available time. It sits in a local criminal justice board area whose overall utilisation rate is low, which we consider does not deliver value for money to taxpayers. Given that we know that there is so little demand for a magistrates court in Goole, I find the argument for investing considerable public spending there on backlog maintenance work of around £80,000 difficult to make, especially as Beverley, where the work would move, is only 28 miles away and has ample capacity to take on the additional work.

With regard to the point my hon. Friend the Member for Brigg and Goole made about distance, we consider a one-hour journey by public transport acceptable for travel to court. Not many people are frequent users of magistrates courts. I assure him that we do not propose closing the court in Goole only because of the performance of the court in Beverley, but we must look at utilisation over the whole area.

My hon. Friend asked why we do not close Bridlington magistrates court. The decision was taken by local management and took into account a range of aspects to ensure sufficient capacity in the area, based on the total number of courtrooms in each court.

Andrew Percy: On the point about people being within an hour's journey of the court, the figures I mentioned indicate that it would take at least an hour and 25 minutes to travel by bus from Goole to Beverley, including a change in Hull because there is no direct bus. Incidentally, there is a direct bus service between Bridlington and Beverley, although I do not suggest the closure of Bridlington. The figure of one hour and 25 minutes is a minimum, and the journey time is more likely to be one hour and 39 minutes.

Mr Djanogly: My hon. Friend makes a fair and relevant point, which he should submit for consideration in the consultation. The original reason for the location of many courts is that they were intended to be half an hour's horse ride away from population centres. We thought that a one-hour journey by public transport was probably more in tune with modern thinking. I assure him that we will do our best to provide him with information on running costs and the other statistics he requested. Again, he should advise us in his response to the consultation of any statistics he has.

As Goole is the only magistrates court in the local justice area of Goole and Howdenshire, we propose that the three LJAs should merge to create a single entity for east Yorkshire, covering the whole of the East Riding. Relatively few magistrates sit at the three benches we propose to combine—only 95 in total. Combining the three will provide a pool large enough to facilitate a more efficient listing of work and reduce the amount of administrative work involved. There will also be advantages for magistrates, allowing them more flexibility in sittings and a wider variety of work.

Although Selby magistrates court has good facilities, as my hon. Friend the Member for Selby and Ainsty said, it too is underused, sitting only around 60% of the time available. Like Goole, it sits in a local criminal justice board area that has a low overall utilisation rate. Selby benefits from being located only 15 miles from York, which is capable of absorbing the work from Selby and has good transport links to all parts of west and north Yorkshire, although I believe my hon. Friend questioned that in his earlier remarks. His point was that people in the south of his constituency did not have such good access. I encourage him to make that point in the consultation. I was aware of the refurbishment of the Selby magistrates court, but I believe that there is currently a backlog of maintenance work to the value of about £100,000.

Selby and York local justice areas already have joint panels, so merging the two would simply formalise that arrangement and reap the administrative benefits. I understand that the closure of courts in several communities will concern hon. Members and some of their constituents. I welcome views on the proposal, and they will be taken into account before decisions are made. However, I want to make it clear that I believe that operating out of around 530 court houses is unsustainable and does not offer the taxpayer value for money. I reiterate the point that we need to think more widely than bricks and mortar when considering access to justice; we need to embrace in the justice sector many of the technological advances that we take for granted in our work and social lives.

Another point I will address in the time remaining is the impact the proposals will have on local justice. That important point was picked up in different ways by both my hon. Friends. My answer is that there absolutely will not be an impact on local justice. The Government remain committed to a system in which justice is done and seen to be done in the communities affected by crime. The quality of justice matters equally. It is not assured simply by having a court building in each small town, as populations are more mobile and use more sophisticated communications than ever before. The speed with which cases are decided, the facilities we provide to meet the needs of all court users and the respect for the quality of our justice system must be as important, if not more important, than locality. The involvement of communities in the justice system is absolutely key to that, both as magistrates and assistants. With more than 95% of criminal cases heard by magistrates, there is no doubt about the scale of community involvement in justice. I will continue to support magistrates as the bedrock of our justice system. I have held meetings with magistrates' associations and individual magistrates, and will continue to do so to prove the Government's support for the magistracy.

HMCS provided £21,000 of funding in 2009-10 for magistrates in the community scheme run by the Magistrates Association. On community engagement, HMCS works with magistrates and other justice agencies to host regular open days that provide local communities with insight on how justice agencies work together to serve the community, staging mock trials to encourage understanding of the justice system.

We want people to resolve civil disputes more quickly and effectively. County courts, of course, are involved in the proposals as well. Justice does not take place only in court; uncontested money and property disputes can be resolved through our online services, Money Claims Online and Property Claims Online. We are exploring ways of increasing the use of alternative dispute resolution when it can provide more effective and satisfactory solutions than a day in court.

The time is right to take a fresh look at the provision of court services to meet the challenging and changing needs of the justice agencies and society. Work loads are falling in the magistrates courts and court time has been

[Mr Djanogly]

saved by magistrates and court staff working together with increased efficiency. An example is the success of "Criminal justice: simple, speedy, summary", which speeds up the time from charge to disposal and drastically reduces the need for adjournment. We are developing better ways of delivering justice and will continue to improve them.

Paediatric Cardiac Surgery

4.30 pm

Liz Kendall (Leicester West) (Lab): It is a pleasure to serve under your chairmanship, Mr Benton, and to have secured this debate on the Government's review of children's heart surgery.

I am sure that Members in all parts of the House agree that children who need heart surgery should have the best-quality care. Outstanding treatment is provided in many parts of the country, including at the congenital heart centre at Glenfield hospital in my constituency. My first visit as the new Member of Parliament for Leicester West was to the centre. I met staff in the paediatric intensive care unit, which is the seventh busiest such unit in the country, and staff on the children's ward and from the cardiac nurse liaison team, seeing for myself the excellent professional and high-quality care that they provide.

I also talked to parents about their experiences, and they spoke about their shock at discovering that their child had a congenital heart problem, their fears about the operation and other procedures, and whether their child would survive. They talked about how they were coping with having a very sick child at the same time as holding down a job and looking after other children, particularly if they lived a long way from the hospital, as many of the parents do. Above all, however, they talked about the excellent care that they receive at Glenfield and about how the help and support from the doctors, nurses and other staff is second to none. I am proud to have Glenfield's congenital heart centre in my constituency, and I express my gratitude to all the staff for their excellent work.

Although excellent care is already available in many parts of the country, experts in children's heart surgery have for some while argued that change is necessary, to ensure that all children get the highest-quality care. Those experts include the Royal College of Surgeons, the Society for Cardiothoracic Surgery, the national clinical director for children, young people and maternity services, and the NHS medical director.

Children's heart surgery is complex, and is becoming ever more sophisticated. Technological advances mean that care is becoming increasingly specialised, capable of saving more lives and improving outcomes for very sick children. Many clinicians, however, argue that services have grown up in an ad hoc manner and now need to be better planned to ensure that all care is safe and sustainable, and that surgeons need to treat sufficient children and have sufficient variety in their case load to be skilled and experienced enough to deliver care of the highest quality. They further argue that that is likely to require fewer and larger specialist centres. I have always believed that when changes in hospital services are necessary to improve patient care, we should have the courage to make them happen. I therefore welcome the review, which was initiated by the previous Government.

However, we need to ensure that the right principles and criteria drive the review, the right balance is struck, the right weight is given to the different criteria and principles, and the views of parents and families are properly heard. The Government document "Children's Heart Surgery: The Need for Change" sets out four key principles to guide the review:

"High standards. All children in England who need heart surgery must receive the very highest standards of NHS care,

regardless of where they live... Personal service. The care that every centre provides must be based around the needs of each child and family... Local where possible. Other than surgery and interventional procedures all relevant treatment should be provided as close as possible to where each family lives... Quality. Standards are being developed and must be met to ensure that services deliver the best care."

I want to say more about those principles. My first point is about the number of surgeons and of patients required in each centre to ensure that all children receive the best possible care. "The Need for Change" stresses that each unit needs enough surgeons to provide care 24/7 and to avoid surgeon burn-out in this complex and demanding field. It questions whether units with two or fewer surgeons can achieve that goal, and states that four surgeons is "the magic number."

The document also emphasises that surgeons need to treat enough patients and have a sufficient variety of cases to get the skills and experience they need, and to ensure that junior doctors have the best training. I fully accept the review's concerns about units with two or fewer surgeons, but from talking to clinicians I understand that the clinical evidence on the optimum number of surgeons and the precise number of patients a centre should treat a year is the subject of some discussion, both in this country and internationally.

The centre at Glenfield hospital provides care 24 hours a day, seven days a week. It has three surgeons, treating about 300 cases a year. The staff in the centre are determined to continue to improve the quality of care that they provide, and are planning to appoint a fourth surgeon in the next few months and increase the number of operations to more than 400 a year. Nevertheless, Glenfield hospital and my local primary care trust are very clear about the fact that the centre already delivers high-quality, safe and sustainable care.

Wider clinical issues also need to be considered by the review. Many children who need heart surgery often have other complex conditions, so the review needs to consider the range of surgical and other specialties available in hospitals with children's heart surgery units, and look at how they all link together. Glenfield deals with congenital heart defects in babies, and follows them through childhood and into adult life. Staff and patients say that that continuity of care is a crucial factor in delivering high-quality, personalised services, and it will become increasingly important as survival rates improve.

Glenfield is also the busiest of four ECMO centres in the UK. ECMO—extra corporeal membrane oxygenation—allows blood that has been drained out of a patient's body to have the carbon dioxide removed and oxygen added before being returned to the body, thereby allowing the heart and lungs to rest and recover. Because of its ECMO facility, Glenfield can provide complex thoracic, or chest, surgery in children, especially for those who also have cardiac problems, as well as cardiac surgery for children who have reduced heart or lung function and who otherwise might not be able to have heart surgery, or recover.

Glenfield is the only centre in the country that provides ECMO for patients of all ages, from newborns to adults. It treated 180 patients last year, including 50 swine flu patients. ECMO is provided by the same staff who work in the congenital heart centre, so if the centre closed, Glenfield would lose its ECMO service too—a service used by patients across the country.

Another issue that the review must fully consider is access to care. "The Need for Change" says that most parents would travel long distances to ensure that their children got the best possible care. That is true. Parents would travel to the ends of the earth if they had to. Many parents whose children need heart surgery are, however, already travelling very long distances. Glenfield's centre serves the entire east midlands, with outreach clinics in Nottingham, Derby, Mansfield, Peterborough, Boston, Grantham, Lincoln and Kettering.

Mr Andrew Smith (Oxford East) (Lab): I congratulate my hon. Friend on securing the debate. I know that the time available is limited, but I wish to underline the importance of the point that she has just made in relation to our own heart centre in Oxford. It is critically important that there is close liaison and consultation with the parents whose babies are affected and who are campaigning to save the centres.

Liz Kendall: I agree absolutely with my right hon. Friend. Many parents and staff are rightly concerned about the implications of travelling longer distances, particularly in emergencies.

I am a former director of the Ambulance Service Network, and I know that paramedics are highly trained professionals—increasingly to degree level—who can provide lifesaving treatment for patients while taking them to specialist centres further away, but that is not always possible, and the review must thoroughly consider the implications of further travel for the lives that could and will be saved.

High-quality care is not just about standards of surgery, the links with other specialisms or the ability to access planned and emergency care. A recent event organised to discuss children's heart surgery in Leicester was attended by more than 800 parents and former patients, and those present felt that many more people would have attended if the event had not been held mid-week and during working hours.

The families said that the help and support that they get from the nurses, doctors and other staff at Glenfield are outstanding, and the key point that came up time and again was the excellent communication and support provided by the centre. Parents spoke about how staff go the extra mile to explain diagnoses and procedures simply and clearly, often at a frightening and worrying time. Every child gets a diary that explains in a way the whole family can understand what care they have received. It provides something for the children to look back at when they are older.

Parents said that the staff were like members of their own family; they could ring them day or night if they had any concerns. That familiarity with individual patients and families is crucial. All the studies by groups such as the Picker Institute of patients' experience of care prove that individual, personalised care and communication are vital. One young man said that the staff knew him as a person, not as just another case, and that he was worried that that would be lost in a larger unit or if his care were split between outreach clinics and other centres.

Families also spoke about the fantastic help they get from the Heartlink charity at Glenfield, which has raised money to provide accommodation so that parents can stay overnight with their children, a play area so that brothers and sisters can play while families are

[Liz Kendall]

visiting the child, and day trips for the patients as they get older. Those wider aspects of care are vital to parents and patients, but are barely mentioned in "The Need for Change". I urge the Minister to ensure that the review has fully considered those issues when it makes its recommendations.

The final factor that the review of children's heart surgery needs to take into account is affordability. It must be driven by the need to improve quality, not to cut costs, and, in these financially constrained times, it must acknowledge that there will be costs associated with changing children's heart surgery in England.

Nicky Morgan (Loughborough) (Con): Like the hon. Lady, I have visited the Glenfield centre, which is close to my constituency. As the parent of a healthy child, I felt humbled by the care that I saw there. The point that she is making about cost is important, because we appear to be achieving neither safer care—there has always been safe care—nor more efficient care. I understand that the reconfiguration would be very expensive, and she speaks rightly about straitened economic circumstances at this time.

Liz Kendall: I agree absolutely with the hon. Lady. The costs associated with changing children's heart surgery centres include not just physically expanding a centre's buildings, beds and equipment, but retraining staff. When I went to Glenfield, I was told that many of the staff would not move if the centre were changed. It takes time and money to train new staff, particularly in such a specialised area, and the review must take that into account when it makes its recommendations.

Sir Peter Soulsby (Leicester South) (Lab): I, too, congratulate my hon. Friend on obtaining this timely debate and on how she is expressing her concerns. She obviously has considerable understanding and experience of and expertise in these matters. Will she join me in asking the Minister to give an assurance that cost will not be the overwhelming issue that drives the decisions, and that the concerns, fears and wishes of parents and practitioners will be foremost in his consideration?

Liz Kendall: I very much agree with my hon. Friend. The review must not be driven by a desire to cut costs, and it must acknowledge that increased costs are likely with any change to services.

I welcome the Government's review of children's heart surgery and their objective of ensuring that all children get the best quality care, but I urge the Minister to ensure that the full range of clinical factors—not just the ratio of surgeons to patients—is taken into account as part of the review, in particular implications for accessing care, including in emergencies, and the knock-on effects for other specialisms. I urge him to ensure that other aspects of care that are critical to parents and families, such as the quality of communication, and the wider facilities and support, are properly considered.

I urge the Minister not to conduct the review on the basis of cutting costs—there will be costs associated with any changes—and to ensure that the views of parents, other family members and former patients are fully taken into account before recommendations are made in the autumn. I look forward to his response.

4.44 pm

The Minister of State, Department of Health (Mr Simon Burns): I congratulate the hon. Member for Leicester West (Liz Kendall) on securing this important debate on the national review of paediatric cardiac surgery. I pay tribute to the dedicated national health service staff who work in paediatric cardiac care. It goes without saying—hon. Friends will agree—that during the course of their working day they do tremendous and fantastic work looking after critically ill and vulnerable children.

As the hon. Lady said, this is a complex and understandably emotional area. In 2008, the NHS management board asked the national specialised commissioning group to explore whether a reconfiguration of paediatric cardiac surgery services in England could improve levels of safety and sustainability. There had not been a problem at a particular centre, but surgeons, other clinicians, parent groups and the media had raised concerns over the risks posed by the unsustainable nature of smaller surgical centres.

The national review aims to ensure that paediatric cardiac services deliver the highest standard of care, regardless of where patients live or which hospital provides their care. All 11 centres in England that currently provide paediatric cardiac surgery, including Glenfield hospital in Leicester, are being assessed as part of the review. The objective of the review is not to close paediatric cardiac centres—I assure the hon. Lady that this is not a cost-cutting exercise.

Surgery may cease at some centres, but they would continue to provide specialist, non-surgical paediatric cardiology services for their local population. The review seeks to ensure that as much non-surgical care as possible is delivered as close as possible to the child's home through the development of local paediatric cardiology networks. I emphasise that no recommendations have yet been made about which centres should continue to undertake surgery.

Recommendations on future services will be published for the three-month consultation in the autumn this year. The trend in paediatric cardiac care is towards increasingly complex surgery, which requires large surgical teams that provide sufficient capacity to train and mentor the next generation of surgeons. The focus of the review is to develop services that are clinically appropriate, sustainable and safe.

As I said earlier, paediatric cardiac services are complex, and it has taken time to set up a transparent review structure that takes into account the views of patient and parent groups, and relevant professional societies. As part of the review, the commissioning group has held 10 stakeholder events. The invaluable contributions from parents and NHS staff will inform future stages of the review process.

The commissioning group has set a series of service standards, developed by experts, that take into account the contributions of parents and professionals. The standards cover the whole of paediatric cardiac services and emphasise the need for networks of providers to ensure a coherent service for children and their families. The current centres have been asked to assess themselves against those standards, and an expert panel chaired by Professor Sir Ian Kennedy has visited and independently assessed each centre. The standards will be subject to public consultation this autumn together with the recommendations for change.

I shall now deal with the standard for the numbers of procedures and of surgeons to which the hon. Lady referred. Questions have been raised about the evidence that underpins the standards for the minimum number of paediatric cardiac surgical procedures per year, and for minimum staffing levels. The recommended level of activity—between 400 and 500 procedures a year—is based on the level needed to provide good quality care around the clock while enabling ongoing training and mentoring of new surgeons. The professional consensus is that having four surgeons in each centre should enable services to avoid the risk of surgeons performing only a small number of some of the more complex procedures, which may not be enough to maintain their skills. Transforming a service from adequate to optimal requires sufficient volume, expertise and experience to develop what Sir Bruce Keogh calls "accomplished teams".

Liz Kendall: Will the Minister provide the source for the recommendation of four surgeons and 400 to 500 patients a year? Which peer-reviewed journal provides the clinical evidence for that?

Mr Burns: As I said a minute ago, that recommendation is the consensus within the professional bodies. However, I am more than happy to give the hon. Lady a commitment that I will write to her after this debate to elaborate, providing as much extra detail as I can, if she believes that will be helpful.

Turning to the other criteria, the review will also take account of surgical centres' physical location relative to others and the impact of reconfiguration on other important services, including the highly regarded ECMO or total life support service at Glenfield hospital in the hon. Lady's constituency, which she described with such eloquence in her remarks. The final part of the review will involve centres' ability to attract key clinical staff and their families. I hope I can reassure the hon. Lady that transportation options and travel distances will be evaluated, including travel times specifically. The Paediatric Intensive Care Society has advised on the issue, and we continue to investigate and seek advice. I appreciate fully the importance of the issue and the concern that it causes many families.

Nicky Morgan: Will the review also consider the impact on other services? For example, at Glenfield, there are two intensive care units for children in the city, and I understand that one team covers both. If the centre were to be closed—this might also apply to other centres—it might destabilise other services within the hospital.

Mr Burns: The short answer is that I cannot make that commitment myself. As my hon. Friend will appreciate, the review is independent and will be carried out at arm's length from the Department of Health and Ministers. I do not have a role, and it would not be correct for me to seek to interfere in the process. However, having said that, I am confident that my hon. Friend's point will be considered as part of the review, because it will be comprehensive and across the board, considering all aspects of this highly specialised and important health care provision. I hope that reassures her.

The available research evidence suggests that larger surgical centres deliver better clinical outcomes. As cardiac expertise is available round the clock, they can perform a wider range of complex procedures, meaning fewer transfers between centres. Larger centres can still provide a personalised service. The service standards make it clear that tailoring services to the needs of each child is critical. That is an extremely important factor that I know the hon. Member for Leicester West understands and accepts fully.

I also assure the hon. Lady that any changes to local health services will not be driven from the top down. The review has strong support from external organisations. It has been instigated at the request of parent and patient groups, clinicians working in the service and professional associations, including the Children's Heart Federation, the Royal College of Surgeons, the Royal College of Paediatrics and Child Health, the Royal College of Nursing, the British Congenital Cardiac Association and the Society for Cardiothoracic Surgery in Great Britain and Ireland. It is important to understand that any recommendations on the future number and location of surgical centres will be made not by any central body but by the 10 specialised commissioning groups working with local NHS commissioners. The review will consider access to services for the whole country.

The national specialised commissioning group was asked to lead the review because of its co-ordinating role across the 10 specialised commissioning groups. I am sure that the hon. Lady will agree that that was the most sensible approach to take when the review was devised and set up just over two years ago in 2008. The group was ideally positioned to engage with commissioners and clinicians from across the country.

I reiterate that the review is being undertaken in response to the concerns of parents and professionals about the future capacity and capability of paediatric cardiac services. It will be an open process; I assure the hon. Lady that the outcomes are not predetermined. It is a genuine review seeking genuine answers in order to maintain the highest standards of quality in a specialised and difficult area of patient care. The national specialised commissioning group will set up a consultation process on its recommendations and standards this autumn. We must wait and see what the review says and then go through the consultation process, during which anyone will be able to input their thoughts, recommendations, comments, criticisms or praises of the review's findings, before any final decisions are taken.

I thank our external partners and their patients for their input to the review so far. I find it encouraging that the review has broad support across the board. As the hon. Lady will accept, children deserve the best possible care. The Government are determined to provide the best paediatric cardiac care possible after the review and consultation processes have been concluded and the final decisions reached.

Question put and agreed to.

4.57 pm

Sitting adjourned.

Westminster Hall

Thursday 8 July 2010

[Miss Anne Begg *in the Chair*]

Energy Security

Motion made, and Question proposed, That the sitting be now adjourned.—(*Mr Vara.*)

2.30 pm

The Minister of State, Department of Energy and Climate Change (Charles Hendry): I am grateful to you, Miss Begg, for calling me to open this important debate on a subject fundamental to our country's future. Energy security is a high priority on the Government's political and economic agenda. Our view is that energy security and climate change go hand in hand and must be addressed together. At the moment, we need particularly to secure new investment in the United Kingdom's energy generating capacity in order to compensate for facilities that will soon be decommissioned.

We have inherited a situation in which, although there were many targets, it was not always clear how those targets would be met. We intend and are determined to secure our energy supplies by increasing diversity and being competitive and energy-efficient, but we must recognise that we face one of the most significant energy challenges in Europe.

Over the next 10 to 15 years, we must secure about £200 billion in new investment in our energy infrastructure, a figure estimated by Ernst and Young and supported by Ofgem and others. By 2018, 16 power stations generating more than 18 GW of capacity will close, representing about one quarter of British electricity. We will lose a third of our coal plant by 2016 as a result of the large combustion plant directive, and much of the rest as a result of the industrial emissions directive. Our remaining oil capacity will be extracted at the same time, and most of our nuclear programme, apart from Sizewell B, is due to close by the early 2020s. Global oil demand could rise by a quarter in the next 20 years, and global gas demand could increase by 40% by 2030. Some £5 trillion in investment is needed to meet those future demands.

In addition to that challenge, we face climate change. We must build a different kind of economy that cuts our carbon emissions in order to tackle climate change, and that makes our energy secure in a way that can endure volatility.

Mr Iain Wright (Hartlepool) (Lab): The Minister said that the Government have made the green economy and energy security priorities, which I welcome. I suspect, though, that they tend to focus more on climate change and the green economy than on energy security. May I press him on the remarks made in the coalition programme about energy security, particularly the three bullet points?

Miss Anne Begg (in the Chair): Order. I know that the hon. Gentleman simply wanted to make an intervention, but that sounds more like a speech. Perhaps he can make a brief point now, and then catch my eye later and make his other points in a speech.

Mr Wright: I appreciate your ruling, Miss Begg. Will the Minister concentrate on the energy security elements of the coalition programme? How will he reform energy markets to achieve those aims?

Charles Hendry: I am grateful to the hon. Gentleman. We will have to wait with bated breath for the three bullet points to which he was going to refer. I look forward to hearing them in due course.

Energy security is at the heart of the matter. We must rebuild this country's energy infrastructure, and a whole raft of technologies exist that we want to bring into play. Part of the problem we face is that, considering the extent to which plant is being decommissioned, more concrete should be being poured and more bricks and mortar put in place now. A lot of work has received consent, but much of it is still on hold pending building. Greater urgency is required to secure construction.

Turning to the specific technologies, we believe that nuclear should be part of the mix as long as it can be built without subsidy; we broadly agree with the former Labour Government in that respect. According to the coalition agreement, if it can be built without subsidy, it will be part of the mix. We are clear that that means the private sector should be responsible for the building, running, decommissioning and long-term waste disposal costs of any new nuclear power stations. The Government must be involved in the effort to remove barriers to investment—the work of the Office for Nuclear Development has been important in that respect—and ensure that the appropriate safety, security and environmental regulations are in place. We see nuclear as part of the mix, but realistically, even if everything goes according to the most optimistic plans, it will be 2017 or 2018 before new plant can be constructed.

Coal has an important part to play as well. We have an abundance of coal; this country has hundreds of years' supply of coal left. We should be leading the world in coal using carbon capture. We are determined to move from our current position—we are not as far ahead as we should be—and take that global opportunity. In addition to our coal reserves, we need to rebuild our coal-fired power stations. We have unique sequestration facilities at sea where CO_2 can be stored, and people with the right skills to carry out that work are working in extremely hazardous conditions in the North sea. We are absolutely committed to taking work forward in that area.

Today we launched a market sounding exercise to encourage the industry to present schemes for consideration for subsequent projects. One pilot project is under discussion, and three others might be considered. We want industry to help us frame the competition in the way that suits it best in order to bring technologies together, share skills and understanding and make it happen.

We also announced today that we are setting up a carbon capture and storage development forum to focus specifically on removing the obstacles to investment in CCS. It will consider the nuts and bolts, just as the nuclear development forum does. We will also make headway on a road map so that people can hold us to account on our ambition. Ambition is important, but without a road map, targets have little benefit or meaning.

We want renewables to be part of the mix too. That is one of the most uncomfortable issues for us in the United Kingdom. Of the 27 members of the European

[Charles Hendry]

Union, we are second worst regarding the extent to which renewables contribute to our electricity generation. Yet we have resources. We have some of the strongest winds in Europe, the highest tidal flows and some of the strongest potential for wave technology. We have let the rest of Europe move ahead of us in deployment, skills and, critically, the supply chain. We must ensure that we begin to take a lead on renewables. We will need more onshore and offshore wind power, a massive increase in energy from waste and faster development of marine energy such as wave and tidal. We wish to drive all those technologies further forward.

Undoubtedly, the renewables obligation has encouraged significant investment in onshore wind, but that has not been without problems in the communities where it operates. In order to drive further development, we want a different relationship, considering what aspects of council tax and business rates can be kept local to communities and how communities that host facilities of wider regional or national significance can share in the benefits that they bring. That way, we hope to give wind farms greater public legitimacy than has sometimes been the case when investment has been sought in such important systems.

We are now the world leaders in offshore wind power, with 14 operational offshore wind farms generating more than 1 GW of electricity, and a further 1.5 GW worth of construction under way. However, we also need to consider what more can be done to drive work further forward. The round 3 applications are substantial, with billions of pounds of potential investment needed. We know that we have a shortage of skills, ships, cranes and technology. Again, therefore, we must focus on how to provide solutions if companies headquartered overseas seek to invest in Britain. That is one of the challenges we face. In the current market, we are seeking to attract investment not just from British companies, which might be predisposed to invest here, but from companies around the world. That will be a key objective for this new Administration.

Although wind and biomass, as large technologies, will be central to meeting our 2020 targets, we need to see the targets in perspective. Too often, there is a tendency to see them as a finishing post—a line over which we will fall, struggling and gasping, having got there by 2020. In reality, we should see them as a staging post and as part of the process towards even more ambitious and challenging objectives further down the line. If we start to see them in that way, it gives us the ability to drive forward investment in new technologies, such as the marine and tidal sectors. On Friday, I had a meeting in Bristol with some of the key players involved with that technology, who are keen to invest and move Britain forward. However, we do not yet have the structures in place to make that happen.

We are considering how we can make marine energy parks work. A system could be put in place whereby there is not just a grid connection point but, critically, onshore facilities and people with the relevant engineering, academic and business skills. We hope to attract people from around the world to invest in Britain to develop those marine and tidal technologies, so that Britain will be the natural place for them to be deployed. We undoubtedly have the natural resources here to make that happen. However, rather worryingly, some of the key players are looking elsewhere for the best financial support mechanisms—for example, Portugal or the United States. We have to make it absolutely clear to the key players that we are determined to drive this forward in the United Kingdom.

In addition to putting a new generating capacity in place, we face the challenge of rebuilding the grid infrastructure—not just the existing grid, which is rather old, but connecting up the new facilities. Last year, the Electricity Networks Strategy Group published its report, setting out the onshore transmission investments needed to meet the challenges in our generating mix between now and 2020. That group estimates that about £4.7 billion of new investment in the grid is required over the next decade. We will shortly publish our decisions on the best systems for driving forward that absolutely fundamental investment.

We have nuclear, clean coal and renewables in the mix but, realistically, they will not produce huge amounts of electrical energy before the latter part of this decade. We are facing a crisis and a challenge here and now. In the shorter term, we recognise that there will be increased reliance on gas. Although imports are not themselves a problem, our growing dependence on them means that we need to increase the security of our gas supplies.

The Government will set out measures to improve our gas security, as promised in the coalition document. We need more gas storage capacity, more gas import capacity and greater assurances that our market will deliver gas when it is needed. Our gas market arrangements must therefore have a sharper focus on increased flexibility and resilience. We will work internationally to try to address some of those issues and to deal with the physical constraints in the system. The disputes between Russia and Ukraine in the past, and between Russia and Belarus more recently, show that new routes to market for gas must be found. Additional pipeline infrastructures to the north and south of Europe would remove some of those blockages but, again, they will take some time to put in place.

Emily Thornberry (Islington South and Finsbury) (Lab): I am happy to be corrected if I am wrong but, in Britain, dependence on Russian gas is nothing like as large as it is in any other European country. In fact, is it not right that we have been getting gas from many other European countries over the past few years?

Charles Hendry: The hon. Lady is absolutely right in her assessment. We get virtually no gas—1% or 2%—from Russia. However, during the Russia-Ukraine dispute last year, when there was a huge problem in central Europe, gas was being pumped out of the United Kingdom just as we were coming out of our coldest winter for 18 years, which put our gas storage supplies under pressure. We must recognise that we live in an interdependent world in terms of energy security and we have to put measures in place to ensure that we are protected against those sorts of international issues, which pose unpredictable, international challenges to the resilience of our system. In three of the past four winters, we have come under pressure. Fortunately, we have been on the right side of such problems in the end, but we must recognise that it will not necessarily be a UK challenge that will put us under pressure; there could be pressures from many hundreds of miles away.

Mr Iain Wright: Will the Minister tell hon. Members how many days of gas capacity we have? I heard that we have eight days at the moment, which does not seem a lot. In the middle of summer, I can understand how that figure is workable, but it would cause a real problem in the height of a very cold, severe winter. What steps is the Minister taking to ensure that we increase gas storage capacity?

Charles Hendry: I think the hon. Gentleman has been reading my speeches from before the election. In two months, we have not completely transformed the availability of gas security and storage in this country. However, we recognise that we have at best about 16 days' capacity, which compares with about 100 days in Germany and a bit more than that in France. We need to secure more capacity, but we also need to recognise the totality of the picture. The Langeled pipeline from Norway is one of our most important channels, and there are liquefied natural gas facilities in the Thames and in south Wales. Those are areas where we can bring gas into the United Kingdom. That is part of the overall gas security picture. We need more gas storage, but we also need to be absolutely clear—this is what the coalition agreement states—that the people who are supplying gas are certain that they have access to adequate supplies. That could relate to storage, to long-term contracts through pipelines or to more interruptible contracts.

Emily Thornberry: I have heard many of the hon. Gentleman's speeches about the importance of increasing our gas supply. Given the Conservative preoccupation with the number of days of gas supply we have in storage, perhaps he can tell us, now he is in government, how many days supply he would be comfortable with us having in the winter.

Charles Hendry: We have always said that gas storage is part of the mix. If we have long-term contracts, under which we know gas is not being bought on the stock market, and it cannot simply be delivered and put through the pipeline, gas storage is part of enhancing energy security. We are keen for more of those facilities to be brought to fruition. There have been significant blockages caused by past planning constraints and the changes the previous Government made. We are enhancing arrangements, which will help to address some of those issues. There are continuing problems with the rate at which cushion gas—the gas that goes into the bottom of the storage facilities and is never actually taken out—is taxed. There are non-financial challenges as well. Gas storage is part of the picture, but there is a wider picture, too.

Dr Alan Whitehead (Southampton, Test) (Lab): I believe that the figures for UK gas storage are about 4% of average annual consumption, compared with 21% in Germany and 24% in France. However, the UK is still a very substantial producer of gas—there is effectively gas storage waiting to be tapped. Furthermore, Britain now has two liquefied natural gas terminals installed and working. Taking those factors into account, although it is certainly necessary to increase gas storage, does the Minister accept that the picture is not remotely as was set out before and immediately after the election as far as long-term threats to gas storage and gas storage itself are concerned?

Charles Hendry: The threat to the resilience of our system was exactly as we set it out. In three of the past four winters, issues that could not have been predicted put us under pressure. In the winter just past, the Langeled pipeline froze up, which meant it was not working at anything like full capacity. The year before, the Russia-Ukraine dispute took place, and a couple of years before that there was a fire in our largest storage facility—the Rough storage facility. All those factors brought pressures that could not have been anticipated.

There is a significant difference between us and the previous Administration regarding the role of gas. We expect gas to be of growing importance in the short to medium term, whereas the previous Government believed it would be declining. If one considers where the investment is going, 60% of the new generating capacity—12 out of 20 GW of consented plant—will be gas. That means we will move much more rapidly to a system of significant dependence on imports. We are not talking about the figure of well under half that the previous Government mentioned, but potentially 70% or 80% by 2020.

It is our responsibility to face that challenge and ensure that we put the measures in place that will enhance security of supply. Gas storage and long-term contracts are part of that mix; additional sources of supply—perhaps new LNG facilities—are another. We need to be certain that people who depend on gas as part of the generating mix or who depend on supplying it to domestic customers have secured the way in which they will obtain the fuel as and when they need it.

The comments of the hon. Member for Southampton, Test (Dr Whitehead) bring me to another crucial point. In the foreseeable years ahead, there will still be a significant contribution from the North sea to our energy security. We believe that it is clearly in the nation's interest that we develop those resources to get the best from them that we possible can, as that will enhance our energy security. We should be keen to develop those resources further.

I find the continued and significant international interest in investing in the North sea encouraging. The 26th offshore oil round, which is now in progress, has produced applications for 356 blocks, the largest number of applications since the first round in 1964. We will continue to encourage industry to invest in developing those facilities in the North sea while, at the same time, maintaining high standards of management and minimising environmental impacts. We recognise that those companies are international and have a choice in where they go. If we do not create a stable and attractive regime, they will undoubtedly go elsewhere.

Clearly, the Deepwater Horizon tragedy in the United States has been in our minds, and we must consider the implications for the UK as we continue to develop in the North sea, particularly in the deeper waters west of Shetland. We must continue to increase our vigilance. We have the most robust regime in the world for environmental protection and safety protection for the rigs involved in drilling operations in the North sea. All installations must have an approved plan to deal with any spills and we have doubled the number of inspections carried out by the Department and increased by half the number of inspectors. We believe that we have responded effectively to the challenges. Unlike the United States, we have always had a clear division between the licensing operations, which are carried out by the

[Charles Hendry]

Department of Energy and Climate Change, and the health and safety regime, which is the responsibility of the Health and Safety Executive. That separation of responsibilities has been important in securing the safety and environmental standards that operate in the North sea.

We will, of course, learn from any further lessons that emerge from the investigations on the tragedy in the gulf of Mexico, three of which are now under way. I offer Members an absolute assurance that we will take no risks where environmental safety is concerned. Partly in response to that disaster, and with the industry, the new Oil Spill Prevention and Response Advisory Group has been set up to investigate whether any additional measures should be taken.

I have so far focused my remarks on the need to generate new capacity and secure supplies, but there are several other matters that it is right to refer to in the debate, and the first is energy efficiency—we should never talk about energy security without talking about energy efficiency. Energy efficiency is the low-hanging fruit—the area in which we can make the most significant savings. We must recognise that the money that does not need to be spent on wasted energy is one of the most efficient investments we can make. The UK probably has the least energy-efficient homes in Europe, which is a serious concern. That is an accident of geography; were we further north, we would have had to develop much greater energy efficiency, as Scandinavian countries have done, and were we further south, that would not have been so necessary in the winters.

Therefore, we have a massive amount of catching up to do, which is why we will be legislating this Session by introducing an energy bill as part of the green deal, enabling energy efficiency measures to be rolled out across the nation's housing stock. We discussed how those measures might work at length while the Energy Act 2010 was going through Parliament. The critical point is that the savings should be greater than the costs. The savings would start to be made immediately after the measures are put in place, and the costs will be claimed back over a period of 20 to 25 years through a small increase in the bills for the people whose properties have been improved. We think that that will start to bring our stock—houses, businesses and public buildings—up to the necessary standard. We should be in no doubt that that is a national emergency. We have lagged too far behind for too long and there is now a real determination to put it right.

A related point concerns the roll-out of smart meters, which are crucial to enabling people to choose the tariff that is the most reasonable for them. They are crucial to encouraging people to go down the route of micro-generation and start generating electricity in their homes and properties. They are also crucial in dealing with fuel poverty. In Northern Ireland, for example, people on prepayment meters pay less than the normal tariff. Smart meters have many benefits, so we have put in place the work to bring forward their roll-out by several years. We were always convinced that 2020 was not ambitious enough and are determined to achieve the overwhelming majority of the roll-out long before that date.

I will now address the points made by the hon. Member for Hartlepool (Mr Wright) on the fundamental market reform measures. We recognise that the measures that we are trying to take to encourage investment will not be sufficient on their own; other elements of market reform will be necessary to help drive forward new investment in the sector. As part of that process, we should have a meaningful carbon price so that people know what the price will be for every tonne of carbon emitted. That will be set on a clear trajectory and will be a clear indicator for those investing in low-carbon technologies. It will benefit all low-carbon technologies.

We are also exploring how capacity payments would work, because we recognise that, as we move into an era of inevitably more fluctuating generation supplies, both from onshore and offshore wind power, there is a need for back-up capacity that can work part of the time, but not 24/7. We must find the right way of setting in place a capacity market to encourage people to invest in that technology and find new ways of taking demand out of the system by smoothing the peaks and troughs of demand. We need to look at both increasing supply and managing demand more effectively. We believe that those electricity market reform measures can help to create a much more robust system in the UK, which will help to secure investment.

This debate is important because it gives us an opportunity to discuss many of the issues at the heart of our energy security. We need an unparalleled amount of new investment in capacity if we are to achieve the energy security that we believe is essential. About £200 billion of new investment has to be secured. We believe that clean coal with carbon capture will be part of that mix, as will nuclear energy, so long as it is without subsidy. The full range of renewables will also be part of the mix, and there will be an enhanced role for gas, but it must be accompanied by extra measures to enhance our gas security. Lip service has been paid to those matters for far too long, so we are determined to act to put in place the necessary energy security. It is only by having energy security that we can genuinely move towards a low-carbon society and keep prices affordable for consumers.

2.58 pm

Emily Thornberry (Islington South and Finsbury) (Lab): It is a pleasure to serve under your chairmanship, Miss Begg. To keep the lights on, the country needs both adequate levels of storage and security of supply, and that cannot be left to the vagaries of the market. The new Government have to give a strong and clear lead. Our concern is that, although they begin from a good place, they are showing early signs of not understanding the enormity of the task and not necessarily being up to it.

In the last few months of the Labour Government, the Conservatives stepped up their criticism of what the Government had been doing to ensure security of supply—the Minister will know this because he was there—including, rather bizarrely, an Opposition day motion on 13 January, just one week after the coldest winter for 30 years. That motion called on the Government to take immediate action to ensure diversity in electricity generating capacity and adequate levels of natural gas storage. That, of course, was exactly what we had done. Labour had ensured diversity in electricity generating capacity. In

the past decade the UK has opened up new sources of gas in Norway, the Netherlands, Algeria, Australia, Qatar, Egypt and Trinidad and Tobago. Our country's gas supplies are not drawn from the likeliest of sources, as has been said. Our gas does not come from Russia and the middle east to the same extent that it does for most countries. We certainly do not need gas from those regions to fulfil two thirds of our needs, as does the rest of the world.

During last year's winter, when demands on gas supplies were unprecedented, the lights stayed on and homes were kept warm because we had made rapid progress, with almost a third of all supplies coming from sources that did not exist five years ago: the Langeled pipeline from Norway, to which the Minister has already referred; the BBL pipeline from the Netherlands; and the South Hook and Dragon terminals at Milford Haven, which receive liquefied natural gas from Qatar and were opened by my right hon. Friend the Member for Doncaster North (Edward Miliband). So, things had changed, and diversification was happening. We got through this very cold winter—the lights did not go out.

The Tories' second charge was that we did not have an adequate level of natural gas storage, and that is why I asked questions of the Minister earlier. While the Tories were in opposition they made a great deal of noise about the inadequate levels of gas storage, but perhaps now they are in government there has been a change of heart. As has already been said, the UK has far more of its own gas resources than other countries, and as my hon. Friend the Member for Southampton, Test (Dr Whitehead) has pointed out—and as we all know—we have a great deal of gas storage available to us because, luckily, we have gas in the North sea. Parallels made with countries such as Germany are simply wrong, misleading comparisons. I am glad to see that, now the Minister is in government, he will not be doing that again.

The figures for natural gas supply imported by European countries are: France 96.5%, Germany 80%, Italy 87%, Spain 99% and the Czech Republic 93.7%. The figure for the UK is only 20.3%. Our level of dependence on natural gas imports is far lower than that of comparable countries. Of the 27 EU countries, we are the second least import-dependent. In National Grid's most recent review of gas supply, "Transporting Britain's Energy", which the Minister might have been able to read, it stated that potential supply from UK power stations is 28% above demand, and it forecast that that excess would continue through to 2016 and beyond. Labour expanded our gas import capacity by 500% during the past decade. During last year's winter, Steve Holliday, chief executive of National Grid, claimed that,

"we've seen the benefits of the investment of the last five years where the UK can now import 30 per cent. of its gas internationally that it couldn't five years ago".

DECC's last assessment under Labour of gas supply resilience showed that we could withstand a large number of problems. We could withstand the loss of the UK's largest gas storage facility, including in a severe winter, and the lights would stay on. We could withstand the loss of the UK's largest gas import terminal in a severe winter, and the lights would stay on. We could withstand the loss of the UK's largest source of imports for a whole year, including in a severe winter, and the lights would stay on. In fact, we could withstand a combination of any two of those losses for a year. When the Conservatives were in opposition their criticism of our lack of resilience simply did not meet the facts. For example, we could lose gas supplied by Russia through Ukraine and also lose the Bacton terminal, but still avoid blackouts in a cold winter.

During the 2009-10 winter, when cold weather placed unprecedented demand on supplies and four of our Norwegian fields stopped supplying gas, the lights nevertheless stayed on and homes remained warm. The right hon. Member for Tunbridge Wells (Greg Clark), the Minister's previous boss, made great play of the fact that the UK had just eight days' gas storage remaining. The Minister might remember the Conservatives being somewhat alarmist about that. That figure ignored the amount of gas being imported and the fact that half of UK demand is met by the North sea production. At the time, the hon. Member for Bermondsey and Old Southwark (Simon Hughes), who is now a member of a party supporting the coalition, sought an apology from the right hon. Member for Tunbridge Wells and called his claims

"unnecessary, alarmist, inaccurate and misleading".—[*Official Report*, 13 January 2010; Vol. 503, c. 756.]

That could not have been better put.

National Grid stated that the eight days of gas storage remaining was a meaningless number, and now that the Conservative party is in power it seems to have changed its tune. Lord Marland, the Under-Secretary of State, had talked about the eight days' supply but said in a debate in the House of Lords on 29 June:

"we feel confident that we can sustain the supply required."—[*Official Report, House of Lords*, 29 June 2010; Vol. 719, c. 1659.]

Does the Minister agree with Lord Marland? If he does, will he take this opportunity to apologise on behalf of the Conservative party for being unnecessarily alarmist, given all the circumstances?

As the Minister said, it is of course not just a matter of what we will do in the short term; we also need a long-term policy. In those circumstances, therefore, the importance of renewables cannot be overstated. We have a very challenging target for the amount of energy demand that we want to fulfil through renewables, and Labour made a good start. Renewable energy has doubled in the past five years and, as the Minister has been kind enough to point out, we introduced the renewables obligation in 2002, which has enabled a huge expansion of onshore wind and made us one of the biggest producers of offshore wind in the world. I welcome the Secretary of State's decision to confirm the £5 million grant offered by the previous Government to Siemens Wind Power. However, without a robust planning system we will not get enough wind turbines here:

"One of the reasons Britain's green industrial revolution is yet to take off is the lack of domestic demand for wind turbines, and a key reason for that has been the attitude of many Conservative councils".

The Minister might recognise that as a quote from John Sauven of Greenpeace, from *The Guardian* on 27 July 2009.

How, therefore, will the Government meet increased renewables targets, while across the country Conservative MPs and councillors campaign to block onshore wind farms? Some of the sketchy outline the Minister gave us

[Emily Thornberry]

on how he will encourage onshore wind was interesting, but we have yet to see any detail, and that is what will be important. We do not quite understand how it is that local communities will get some benefit from onshore wind projects being built near them. Will it simply be onshore wind? What if, for example, gas storage capacity is built near a village? Would it get some sort of benefit from that? Who will pay for it? Will it be paid for out of the public or the private purse, and how much money are we talking about? It is a very interesting idea in theory, but we need to understand what it means in practice. While it remains sketchy it gives no certainty to the industry, and the industry needs certainty. The public also need certainty, and we need to get a move on with renewables. I agree with the Minister that we need more onshore, but we cannot go on as we are at the moment.

The feed-in tariffs encouraged small-scale renewables, and I am glad that the Government will promote that policy. A revolution is under way in electricity production, but we need one for heat. I therefore again ask the Minister if he will guarantee the introduction of the renewable heat incentive. We have yet to hear clear proposals from the Government, and the industry is holding its breath while waiting for an understanding of where we are going.

I have to say that many of the Government's proposals, such as the green investment bank and smart meters, look familiar, as does their dependence on what I think my right hon. Friend the Member for Doncaster North called the "triumvirate" of nuclear carbon capture and storage for coal and renewables. We await the implementation of those proposals with care, however.

The Minister has for a long time been a supporter of nuclear power, but the Government are unable to give clear leadership on the issue because they do not have a position—they have a large number of positions. They are notionally in favour of nuclear power, but the Lib Dem representative will speak against it, the Lib Dem party will refuse to vote on it, and I have yet to get my head around what the Secretary of State's position is. Frankly, the industry needs to know and to have clear leadership.

Charles Hendry: The heads of all the nuclear companies have said that they are entirely comfortable with our position and understand it precisely. Will the hon. Lady not accept their assurance that our position is rational, sensible and realistic, rather than creating scares that do not exist?

Emily Thornberry: As Christine Keeler said, "They would say that, wouldn't they?" The point is that the nuclear industry needs to know what the Government are doing. The industry will not pick a fight with the Government at such a crucial stage, but it needs to know where they are going. The Government have a number of positions, and it is not easy for the industry in those circumstances. Of course, the industry will not come out publicly and criticise the Government—that is our job in opposition. However, we are confident that it does not help the nuclear industry for the Government to hold four positions at the same time on the future of nuclear power.

Charles Hendry: There is one position, which is that nuclear will be part of the mix if it can be built without subsidy, and that is it—one position, complete clarity.

Emily Thornberry: That sounds simple and understandable, but we then need to look at how these things are implemented. For example, is the cancelled loan to Sheffield Forgemasters the first casualty of the uncertainty over Government policy on nuclear? There are a number of questions relating to that. Did the Lib Dems' prejudice against nuclear power have a role in the decision to cancel the loan? Was the decision made because of the coalition's policy of having no public subsidy for nuclear? Did that impact on Sheffield Forgemasters or not? Was it right for the Government to give Nissan a grant to make electric cars—a proposal that we support—but not to provide a commercial loan to help a British company be at the centre of an indigenous nuclear supply chain? How do these things fit in?

What we see are the Government's confusion and the refusal to grant a commercial loan to a company worth £40 million. The loan would need to be £80 million, and it would be difficult to get that money from a bank. The refusal to grant the loan means that Sheffield Forgemasters is unable to build the sort of kit we need to build nuclear power stations in Britain. We are not necessarily talking about a subsidy from the public purse. We need a Government who are prepared to look to the future and to decide that the triumvirate includes nuclear, that we are serious about these issues and that we will give such assistance as is necessary. The current situation is very unfortunate, and we have a number of questions as a result.

That is one casualty, but there is another. Will the Minister confirm whether there will be cuts to the Nuclear Decommissioning Authority? If there are to be cuts, when will they be and what will they be? More importantly, will they have an impact on the future of Britain's nuclear power industry? The issue of the public purse paying for cleaning up after nuclear has always been part of the arguments about whether nuclear power is being subsidised, so what will happen? Are we talking about a subsidy or not? Where does that fit with the coalition agreement on nuclear power? We need to know, and the industry definitely needs to know. Publicly, the industry might not be critical, but the Opposition are being critical because a confused picture is being put out.

The expansion of Sheffield Forgemasters represented an opportunity for Britain to make key components for the nuclear industry, which will now have to be sourced from places such as Japan and Taiwan. That is very unfortunate for green jobs and the economy. The Government have tried to defend their position by suggesting that Sheffield Forgemasters should obtain funds from the financial markets. Once again, we see actions motivated by free market ideas that are completely misplaced.

Before the Conservatives made their deal with the Lib Dems, they were highly exercised by the gap between the end of the life of the current fleet of nuclear power stations and the earliest date by which we might get some new nuclear power stations. Why are the Conservatives now so relaxed about that? There seems to have been a change. The Government should be taking up the long-term

challenge of decarbonising the economy and the job market, rather than just embracing short-termism, but some of the decisions that have been made are simply short-termist.

The Government share our view that the nuclear industry should not receive a direct subsidy from the public purse, but the industry needs clarity and reassurances, not obstacles. In the words of Richard Nourse, managing partner of renewable energy fund novusmodus,

"Nuclear is a long *journey and developers need confidence to* keep travelling."

Can the Minister provide that confidence? What percentage of our electricity does he expect nuclear to contribute in the next 10 years? Without that confidence, we will surely see delays, which will increase our dependence on gas.

The Labour Government made a huge commitment to investment in carbon capture and storage technology for four coal-fired power stations. Through that technology, we intended drastically to decarbonise our energy supply. Can the Minister perhaps give us a little more detail on whether he intends to go ahead with the four coal demonstration projects? Can he give me some information on the Government's thinking about the locations of those projects and the bidders? Will he confirm that the coalition plan is that CCS will be deployed more widely in 2020, and that any new coal plant constructed after that will be fully fitted with CCS? One hears rumours that the Government are thinking again about whether there will be four coal-fired CCS plants or whether one will be gas. Is there any truth in those rumours? Before the election, the Minister was much exercised by emissions performance standards for CCS. Will he tell us when or whether he is introducing proposals for such standards?

In every debate and every piece of thinking on security of supply, we must not overlook the role of energy efficiency, as the Minister said. I have 14 questions outstanding from our previous debate on energy efficiency, and I certainly hope we will get an answer to them soon; indeed, we might be tabling written questions to get answers to some of them. More importantly, however, there will need to be some huge building projects, involving gas storage facilities, onshore wind or nuclear plant, if we are to move to a low-carbon economy. We will be relying on the markets to do the heavy lifting, but at the very same moment, coalition policies have caused great uncertainty about planning.

Hon. Members should not just take my word for that. On 2 July, the director of policy at the British Chambers of Commerce said that the coalition's abolition of the Infrastructure Planning Commission

"puts politics back into the planning system at a time when an overwhelming majority of businesses say that they want key infrastructure schemes decided by experts, not politicians".

There is great concern about that, and it does not come just from the Opposition and the British Chambers of Commerce. Concern is also voiced on page 53 of the second progress report to Parliament from the Committee on Climate Change, which says that key actions for the future include

"Ensuring that the proposed replacement of the Infrastructure Planning Commission does not prevent projects—renewables, or low-carbon infrastructure more generally—progressing in a timely manner through the planning process."

There is therefore great concern about the fact that politics is being put back into planning, and that planning will be held up at a time when we need to show direction and leadership.

This is a crucial time, when we need to be able to move to a low-carbon economy. We need a Government who are confident and who do the right thing. As I said at the outset, the current Government have the advantage of coming from a good place, because the Labour Government laid the ground well. However, it is of great concern that Ministers are now floundering around, particularly on planning and nuclear. Perhaps the biggest concern, however, is the statement in the coalition agreement that the parties concerned

"share a conviction that the days of big government are over".

In the Minister's Department, big government and leadership are necessary. Without them, we will not move to the low-carbon economy that we need.

3.17 pm

Dr Alan Whitehead (Southampton, Test) (Lab): The debate is about energy security. As the Minister emphasised, the debate on what we do with energy policy over not only the next five years but the next 30 or 40 years is essential. In that context, I am rather sad that such a small but select gathering is here to debate the issue. Energy security should be at the heart of all the decisions that we make on energy policy in the narrowest sense. However, in the wider sense, it should also be at the heart of how we plan our resource use, the energy efficiency mentioned by my hon. Friend the Member for Islington South and Finsbury (Emily Thornberry) and the deployment of our transport resources. All those matters relate one way or another to the question of how secure our energy supplies will be and how we will deploy our resources to ensure that the lights go on, transport moves, industry is secure, the country remains economically prosperous and we remain secure in our homes. Energy security is as central as that to our way of life in the future.

As far as energy security is concerned, we live in a very uncertain world. We have challenging and serious commitments to meet to ensure our energy security in the context of the rapid decarbonisation of our economy. We need to make sure that our supplies and our energy production are secure in the context of moving from a high-carbon to a low-carbon economy in a short time. In talking about the path from here to 2050, we should reflect that in the past 40 to 50 years we have in any event rapidly changed the mix of our energy economy. We have moved from dependence of about 90% on coal for energy to a figure of about 12% to 15% in 40 years or so. I anticipate that there will be similar rapid change in the next 40 years. The question is whether that change can be accomplished in accordance with the energy security considerations that I have set out.

As to some of the assumptions that continue to be made in some quarters about how energy supplies in this country will go, I fear that the answer may be a distinct question mark. For example, to take as a starting point our continued dependence on oil, world oil resources are presently set at about 42 years. That is on the basis not of all the oil reserves in the world, but of all those that it will be reasonably possible to exploit, and that there is a reasonable likelihood of our knowing about in the not-too-distant future.

[Dr Alan Whitehead]

There is at the same time a dash to secure oil supplies. Recently China has been rapidly attempting to exploit and secure oil reserves in Africa, and other world economies are pursuing the same tactics. Therefore, the idea that there will be a ready supply of oil at a reasonable price—a price that can sustain our economy—while our North sea oil reserves are reducing is at the least an interesting one. I am not a peak oil alarmist but the very interesting recent report by my right hon. Friend the Member for Croydon North (Malcolm Wicks) on energy security in a changing world went into the question of peak oil and the point at which, although reserves will exist for a longer period, production relative to demand will be decreasing. It is suggested that that will happen from about 2030.

Emily Thornberry: Does my hon. Friend agree that although our oil production from the North sea will decline at a rate of between 6% and 10%, it will nevertheless continue to play a vital role in our energy mix in the next 10 to 20 years?

Dr Whitehead: Indeed, it will continue to play that role, and the fact that we have indigenous sources of oil, as it were, will be something of a proof against increasing vicissitudes in the rest of the world. Nevertheless, that continued oil production is not divorced from peak oil considerations—it is an essential part of them. The likelihood, therefore, that by 2050 oil will, because of its scarcity, have to be used primarily for non-vehicular purposes such as making plastics and other chemical necessities, should be taken into consideration in our long-term thoughts on energy security.

The likely scenario in the next few years, should that analysis be even remotely correct, is that the world will continue, among other things, to attempt to defend its oil interests by covert or overt military means. Indeed, a little while ago Dan Plesch of the Foreign Policy Centre estimated in a paper that the cost, indirectly or directly, of defending oil interests from a military point of view came to about $150 billion a year. If we consider the areas of the world—mainly in the middle east—that have been defended in that way, and the likely reserves in those countries, that comes to about $20 per recoverable barrel. That is an interesting reflection on what is likely to be the increasing additional cost of oil in the next few years.

In the context of climate change and our ambition to reach the targets we have set, it is absolutely right that energy efficiency will play a substantial role. Indeed, if EU energy efficiency targets of even 20% are met by 2020, that will result in something like a 13% reduction in electricity use in the EU. That underlines the key role of energy efficiency. I am completely with the Minister as to the key role it must have in our energy security—another example of protection of the home front in energy matters. However, the changes in our energy economy that will result from a far lower dependence on oil in the long term will almost certainly mean a much higher dependence on electricity for, among other things, transport, particularly with the rise of electric vehicles. At least part of the energy efficiency gain will be offset by increased demand for electricity as electric transport becomes increasingly the norm.

My hon. Friend the Member for Islington South and Finsbury has already dismissed some of the scares and myths about gas. It is true that the short-term alarms about energy security that have recently been raised in relation to gas are largely unfounded, for the reasons we have heard today. However, there is another reason, which has not sunk widely into our consciousness but is nevertheless important. Part of our gas energy security has been derived not only through interconnectors—which, as has been observed, can work both ways, and did during our cold winter, with movement out of the UK as well as into it—but by ensuring, pretty much as a deliberate act of policy by the previous Government, that there was sufficient liquid natural gas landing capacity. There was a substantial increase in that capacity. Of course, liquid natural gas is a world-traded commodity and one might ask how secure it is likely to be. One reason why it is likely to be far more secure in the not-too-distant future is the rise of shale gas, particularly in the United States. Gas is extracted from shale beds in a way that was not technically possible a few years ago. Its exploitation in the past few years has, among other things, added about 25% to estimates of United States gas reserves.

I might add that gas is not a particularly benign fuel for the environment. It is not as intense, in relation to CO_2 emissions, as coal, but it is very intense nevertheless, and was the subject of a recent letter from the Committee on Climate Change recommending that future gas-fired power stations, as well as existing and future coal-fired plants, should be CCS-adapted. We should not for a moment believe that gas is the alternative or the answer to the end of the oil economy or the diminution of the coal economy. Nevertheless, shale gas in the US and elsewhere has transformed the picture in recent years of likely gas reserves. Indeed, the liquid gas receipt terminals in the United States built for the same reason as those that were built in the UK are, in effect, standing idle because of the change in the gas economy that has resulted from the emergence of shale gas.

Incidentally, shale gas poses an additional problem, as it is no more environmentally friendly than any other form of gas—it is, in essence, the same stuff—and the technology of fracturing rocks to extract it results in substantial emissions of methane into the atmosphere. Indeed, the chemicals that are used in its extraction are particularly climate-unfriendly, so it is not a panacea. I merely note that as an addition to the debate on where we are on gas security.

All things considered, even with the increase in reserves in particular countries, it is likely that gas has perhaps a 60 to 70-year exploitation against production life ahead of it. For two of the key elements of our energy economy, we are living on borrowed time, and we need fundamentally to recognise and understand the consequences for our own energy security that the post-peak world oil economy and, to a lesser extent, gas economy will introduce—this country will either have to scramble for those resources or go in a different direction—and how those scenarios will play out over the next 40 years.

I have not mentioned coal. This country has some 200 years of coal reserves, and there is a similar level of likely reserves against production around the world. Indeed, in looking at how our future energy economy might best be fashioned, it seems inconceivable that we would ignore the role of coal—with, I trust, carbon

capture and storage firmly attached to it, because of our carbon abatement commitments. Nevertheless, using coal as a substantial part of our base-load energy economy over the next few years is not just a good idea for balance in the energy economy but an important part of our energy security considerations.

The starting point for energy security probably has to be a common-sense view. Politicians always feel that people should be wary of common-sense views—on occasion, that means they come up with views that are precisely the opposite—but, in the case of our energy security over the next 40 years, a common-sense starting point ought to be that if we should produce as much of the energy required in this country from sources that we control, and that we do not set too much store by sources that we do not control.

That is a common-sense absolute which, of course, is mediated by a great many factors, not least the interconnection and balancing of supplies, and the role of the European Union in how supplies work, but in a world with all the dangers, concerns and scarcities that I have mentioned, a common-sense starting point ought to tackle the issue of how we deploy our energy resources over the next 40 years. The question that then arises is whether the UK can be energy self-sufficient in the way that it has been in the past. If that common-sense principle were applied to our future energy security, we would be talking about an energy economy in which, yes, oil and gas—particularly North sea gas—will have a role, but, increasingly, biogas produced from our own indigenous natural resources could be injected into the grid and take the place of mineral gas coming from the North sea to a surprisingly large extent.

I am not sure that setting an enormous amount of store by a technology that relies on a fuel of which we produce not one ounce in this country is a common-sense view. Setting aside any of the questions at the front of our minds about build scale, commissioning, public subsidy and other aspects of nuclear power, we must remember that, because nuclear is not renewable, it is reasonable to ask questions about the security of supply of uranium for reactors, should we build them in this country. This is not necessarily to take a side on the nuclear debate but simply to ask that question.

Given the likely reserves of uranium—on the present supply against production—its life is roughly that of oil: 40-odd years. However, if there were a large number of nuclear builds over the next 20 years, the amount would come down dramatically. On present figures, it appears that uranium could become scarce during the lifetime of a future nuclear reactor built in this country. That ought to raise a question mark about energy security, and about the role that nuclear may play in future considerations for the UK.

Indeed, given our concerns about our carbon dioxide emissions and footprint, new supplies of uranium would need to be found. Otherwise, existing supplies would be depleted, and the richness of uranium per tonne of rock mined would be so low that the carbon footprint would eventually equate to that of a gas-fired power station. That would not follow the low-carbon footprint route for our energy supplies in the long term. The figures relate to Australian and, to some extent, Canadian supplies of uranium. There are richer supplies in places such as Kyrgyzstan, but they raise the same questions for energy security in an uncertain world set against supplies of oil and gas.

Ironically, we could increase our supply of uranium by sequestering supplies that are kept for military purposes and translating them to domestic nuclear purposes. If we did so in this country, we could double the life of our uranium supplies without taking uranium from elsewhere, which raises the interesting question of developing a domestic nuclear power programme to thwart a military nuclear programme, but perhaps that is a debate for another day.

I asked whether the UK could be energy self-sufficient in future. The answer is yes, but the best energy security in this changing world will probably come from forms of collective energy security which, at the very least in Europe, ought to be at the forefront of our minds. We have heard some bad stories about connectors, but the more connectors this country has with Europe, the better off we will be not just in terms of our own energy security but in terms of Europe's as well, for reasons that I shall come to in a moment.

We should also consider new connections. The programme ought to be imaginative in terms of the connections within Europe and making the most of Europe's energy supply resources. We should, among other things, go further forward from having point-to-point connections for future wind farms in the North sea, for example, and connect those supplies across Europe in what is called the supergrid—it is, in fact, a sensible addition of connectors with nodal hubs, particularly in the North sea—to ensure that the transferability of energy supplies is complete. Of course, we have a gas supergrid in Europe and there is, effectively, the beginnings of an electricity supergrid. An essential part of our future energy security is a supergrid for renewables.

The things that I have just mentioned are just part of the answer to the question, "Can we be self-sufficient in our energy supplies over the next 40 years?" The facile answer to that question, which we occasionally hear, is, "Why, oh why, can't we be self-sufficient in our energy supplies, because we are the windiest country in Europe, with the biggest tidal range and the biggest effective waves in Europe? We must be able to be energy self-sufficient, mustn't we?" It is true that we have the biggest wind supply and the greatest tidal range of any country in Europe and we have the largest range of facility of any country in Europe, but that in itself does not answer our question. The analysis in a recent report by the offshore valuation group entitled, "The Offshore Valuation: A valuation of the UK's offshore renewable energy resource", is increasingly providing an answer.

The group eschewed the idea of going for the big picture or saying, "We've got all the resources, therefore it must work", and instead did a sober analysis, area by area, of this country's renewable offshore resource, looking at where the constraints were in landing, or depth of offshore water, and considering what proportion of our theoretical resource could be landed, assuming the investment was there to make the landing possible.

The group assumed a relatively modest proportion of the total practical resource, setting aside those areas where constraints were likely to be insufficient to render exploitation practical. It suggested that only about 29% of the practical resource would be harnessed by 2050. On looking at that resource, it found that the full

[Dr Whitehead]

practical resource of 2,131 terawatt-years exceeded UK electricity demand six times over. The practical landed resource would, on that basis, not only easily be able to deal with the UK's practical demand, but would make the UK a substantial net electricity exporter. Incidentally, that figure would be likely to encompass the spike in electricity demand—and the difference that that would make to our energy economy—from electric vehicles.

The group included a number of scenarios in its report. The middle range of scenarios, under which there would be 29% of resource utilisation, would mean an install capacity offshore of about 169 GW, capital expenditure of just over £400 billion over the period to 2050, and annual revenue of £62 billion, and thus a substantial income-generating capacity for the UK. The UK would also be a net electricity exporter, after all the demands here were taken into account. That brings the connectors into context. We have always assumed that connectors are based on the idea of balancing the UK system, so that energy comes in from abroad when the UK does not have sufficient resource of its own. The prospect of the UK systematically exporting from its connectors is a secure foundation for our energy security considerations in future.

The report also considers a matter that a number of people have considered: whether the UK energy economy can stand the penetration of renewables in a scenario such as the one that I have just mentioned, which suggests that a penetration of renewables of some 50% would be the consequence of such practical exploitation of UK offshore facilities. It also adds floating wind and tide and wave to fixed offshore wind, as technologies that would be deployed in respect of that outcome. That scenario suggests that it is necessary for the energy economy to have a reserve of some 34 GW, which is getting on for 50% of the present total capacity of our electricity supply, to balance the 50% renewables penetration. The report is also clear about the changes that are taking place, as the Minister mentioned, in respect of the smart grid, energy efficiency considerations, storage, the continuing use of inter-country connectors and the role that small-scale generation plays in the energy economy, all of which would have a substantial hand in ensuring that the balance was possible under that level of penetration.

The long-term answer to the question, "Should we, from a common-sense point of view, source as much of our energy as possible from indigenous resources?" is yes. The answer to the question, "Can we source as much energy as possible from indigenous resources?" is also yes, but neither of those answers is based on fanciful assumptions about how our energy economy might develop. There are realistic scenarios for the next 40 years, showing a change in the relationship between our energy supply and our energy use, and a change in the make-up of that relationship in such a way that our energy economy is fully secure by 2050, against what we know will be increasingly violent vicissitudes in the world energy economy. If we can achieve that starting on this Government's watch—great progress was made on the previous Government's watch—not only will we secure our energy supplies for the future, but we will secure our carbon commitments at the same time, which is the other key element.

3.48 pm

Mr Iain Wright (Hartlepool) (Lab): May I say that it is a pleasure to serve under your chairmanship, Miss Begg, especially given the lead that you have provided on energy policy and the fantastic work that you have done in your role as a first-class constituency Member of Parliament? May I also say that it is a huge surprise to catch your eye? I had not intended to speak at length—I wanted to make a couple of interventions—but I am pleased to participate in an increasingly vital part of public policy, which we will need to consider in the 20 to 30-year period as we move towards a decarbonised economy.

I am concerned about energy security. Rising demand for energy, caused by emerging markets—the likes of China, India, Brazil and Russia—together with constraints on capacity with regard to supply, mean that we will see markedly rising energy prices in the next 10 to 20 years. We must combat that. Coupled with that is the fact that fossil fuels are a finite resource. Mother earth is not making any more oil and gas.

When we burn fossil fuels we produce negative disruptive repercussions for our climate. The point, as my hon. Friend the Member for Southampton, Test (Dr Whitehead) said, is that we must reduce our reliance on external sources of energy, and try to produce our own as far as possible. In that context, I want to raise four brief points to which I hope the Minister will be able to respond.

The Chamber has waited with bated breath for the three points I am going to make about the coalition programme. I do not doubt the Minister's personal commitment to energy security, but from what I have read in the coalition programme, I do not have the feeling that the entire Government share that commitment. The three bullet points in the programme that mention energy security are scant on detail. They state:

"We will reform energy markets to deliver security of supply and investment in low carbon energy, and ensure fair competition including a review of the role of Ofgem.

We will instruct Ofgem to establish a security guarantee of energy supplies.

We will give an Annual Energy Statement to Parliament to set strategic energy policy and guide investment."

Will the Minister put a bit more meat on the bones to explain what that means? I know that we may discuss it on Second Reading of the Energy Security and Green Economy Bill, but the matter is vital and to provide some reassurance and good, clear direction of travel, it would be useful to have a bit more information. On the final bullet point—an annual energy statement to Parliament—it would be helpful if the Minister confirmed that that is the case, and gave a pledge that a big part of that statement will be the way in which the Government will ensure energy security.

My next point was alluded to by my hon. Friend the Member for Southampton, Test, and it exercises me because it will be a big factor in the next 10 or 20 years. It concerns our capacity as a country to obtain natural resources, particularly for energy and particularly when emerging powers, such as China, India and Brazil, are engaged in a 21st-century equivalent of the scramble for Africa. My hon. Friend rightly mentioned the fact that China is locking in long-term contracts with African nations, such as Angola and Sudan. An important

tangent is that it is imposing no conditions regarding good governance or transparency in financial transactions. That impacts on our international development policy. Given that, and given what my hon. Friend the Member for Islington South and Finsbury (Emily Thornberry), the Opposition spokesperson, said about not leaving the matter to the vagaries of the market, what reassurance can the Minister give, in view both of the emerging markets, and of what China is doing to ensure that it has access to energy supply in the next 20 to 30 years, about what our Government are doing to ensure that we have the same access?

Since the industrial revolution, we have had an energy market with big powerhouses that have supplied and sourced energy and pushed it out into communities and industry. During the next half century, we will continue to need that. The area that I represent has the largest concentration of chemical engineering anywhere in western Europe. To ensure that we are an economically vital nation and can produce manufacturing that we can export to the rest of the world, we will continue to need that macro-generation power grid.

The Labour Government started to put in train huge opportunities for microgeneration, domestic consumers and, importantly, community groups to produce their own indigenous, domestically derived energy, and in the process to derive resources and revenue supplies, which may be useful for individual and community needs. Many community groups in my constituency would benefit from solar panels—for example, on a community hall—and from being able to use the revenue for community needs and objectives.

The Government have begun to restrict the opportunities to allow communities and domestic consumers to put in place domestic microgeneration. Will the Minister explain what incentives he could put in place? The feed-in tariffs are very welcome, but some of the initial set-up costs are restrictive and even prohibitive. The average cost of putting solar panels on a roof in my constituency is about £12,000, which prevents the vast majority of people from even considering it. What further steps can the Minister take forward to ensure that we have an exciting new generation of domestically derived energy production in our country?

I mentioned my final point in another debate in this Chamber on nuclear power, and I give notice to the Minister that I will keep banging on and on about the role of the north-east in energy production and supply. We have all the ingredients in place for my region to be the great powerhouse, not only for this country, but for Europe and, arguably, the world in ensuring that we have a diverse source of energy production and supply. What can the Minister do to ensure that potential? Narec in Blyth is a centre of excellence for renewable energy. Given where we are in terms of marine technology and our proximity to the North sea, all the different sources of energy—oil, gas, renewables and nuclear in my constituency—can provide the 21st century, modern economy that the north-east demands.

We have great things in place. The developments at Narec, the Centre for Process Innovation in the Tees Valley, and Renew Tees Valley, were being led by the regional development agency, One NorthEast, which was adding value by ensuring that we could have a low-carbon economy and energy policy, but confusion over the Government's contradictory advice on RDAs has inhibited progress. We have huge potential in the north-east. What steps will the Minister take to ensure that we fulfil it? I have invited him to the Tees valley to look at the potential there, and I do so again. The role of the north-east in the future share of the British economy and energy policy is incredibly exciting.

My hon. Friend the Member for Islington South and Finsbury said that we must not leave the matter to the vagaries of the market, and she is absolutely right. We need big government on energy security in the 21st century, and we need strong leadership. I know that the Minister is up for that, but I question whether his Government as a whole are up for it. I hope to be reassured by his response.

3.58 pm

Charles Hendry: It is a continuing pleasure to serve under your chairmanship, Miss Begg. We have had a high-quality debate. Our numbers may have been limited, but we have touched on many of the key issues that go to the heart of the debate on energy security, and some of the big structural issues, as well as some of the more localised policy issues that go with that. During the next two hours, I hope to go through those in significant detail.

The hon. Member for Islington South and Finsbury, who speaks for the Opposition on these matters, started by talking about big government. She asked whether we need big government in this area, and said that we cannot leave such matters to the vagaries of the market. We are in no doubt that the Government must provide leadership in such matters. The old Lawsonian approach of leaving them to the market worked when we were awash with our own oil and gas, and companies throughout the world wanted to invest in the United Kingdom, but we must now climb an extraordinary mountain of new investment, and we must appeal to companies headquartered in France, Germany and elsewhere around the world, so we need greater Government leadership and engagement. But we are also a party committed to decentralisation. Setting a policy framework to stimulate investment is not incompatible with allowing decentralisation of power. We are genuinely committed to allowing communities to decide what is right for the development of their areas, and to empower them to make those decisions.

Clearly, above a certain level—the 50 MW threshold—such things will become nationally significant infrastructure projects and decisions will be taken centrally. I will come on to those planning issues later, but we are committed to the principle of decentralisation.

That is also true for electricity generation more generally, and the roll-out of microgeneration. We inherited a target of 2% of electricity to be provided by microgeneration by 2020. That is unambitious, and I agree with the hon. Member for Hartlepool (Mr Wright) when he said that we now have a real opportunity. As he said, not just for individual households, but for community groups, schools and groups of houses, microgeneration will often be a more attractive way of achieving economies of scale and the best possible investment. Within that framework, we must look at which technologies will be right for different parts of the country. There is no doubt that the generation capacity of solar power is greater in the south than it is further north. We cannot necessarily

[Charles Hendry]

have a variable rate of feed-in tariffs for different parts of the country, but there will be other areas where biomass or small wind energy systems or whatever will be more appropriate. We must make sensible choices about how best to use the resources available.

The hon. Gentleman spoke about the role of the Government and how we can develop long-term contracts, and he mentioned the work of the Chinese and others. We are committed to that, and the Prime Minister has said that he wants Ministers to help secure such long-term contracts. In the past, if there was a new big gas deal to be signed, we tended to find that the French would send President Sarkozy, the Germans would send Chancellor Merkel, and we would send the British high commissioner, who is no doubt a fine man or woman, but they do not have quite the same clout and sense of national significance. We are determined to raise the profile of the Government when trying to secure such agreements. Of course, there will be differences of approach between us and the Chinese in such matters, but we must show those countries with whom we would like to be strategic partners the importance that we attach to such a relationship. There should be no doubt about that.

The hon. Gentleman also asked about elements of the coalition agreement. We have said that we will reform the regulator, and in general we believe that any regulatory activity is crucial and must be independent. It should be carried out within a framework set by the Government. Part of our anxiety has been that the excellent work of Project Discovery carried out by Ofgem should have been done by the Government. The Government should have stated their priorities and explained where the balance between low-carbon energy and security of supply lay. We must take the policy framework back within Government so that the regulator can be responsible for regulating within that framework. The hon. Gentleman also mentioned ensuring the security of supply. Again, the regulator should be charged with finding the best way of ensuring that people, particularly those who are using gas in the mix, have ways of meeting demand. There will still be flexibility in how that is achieved, and that should be a further additional role for the regulator.

The hon. Gentleman asked about the annual statement that will come before the House shortly. It is intended as a forward look. It is not supposed to be a meaningless selection of warm words, but rather an annual hard look at the challenges that we face and the progress we are making towards meeting those challenges. Normally, we would expect it to include a winter outlook, but given the time of the year in which we are doing it, it might be a bit early for that. However, we certainly want to give hon. Members the chance to question us robustly in the House about the security arrangements for forthcoming winters.

I hope that that reassures the hon. Gentleman about the underlying principles. I also want to reassure him that for me, energy security lies at the heart of any energy policy. As I said in my opening remarks, if we do not get energy security right, the low-carbon agenda will become much more difficult and the issue of affordability will go out of the window. Energy security is a core part of our policy.

The hon. Member for Islington South and Finsbury rather implied that everything in the garden had been perfect until 6 May, when it suddenly went catastrophically wrong. In the spirit of coalition politics, I am willing to say that the last Government made some moves in the right direction, but there were other things that they should have done and failed to do, or did not do until it was too late. Had we not had a five-year moratorium on nuclear power, those decisions would now be well in hand and we would have concrete going into the ground and the process would be under way. Had we not had countless Green Papers, White Papers, policy reviews, new Acts of Parliament and 16 Ministers in 13 years, we might have had greater focus on some of the challenges that we face. We are trying to respond to the challenges that we have inherited, and I will list the ones mentioned by the hon. Lady.

Gas storage is a particularly important matter and the concerns that we expressed earlier in the year were well founded. However, those concerns must be seen in context. Although they were raised during the winter, they looked ahead not just to that winter but to the outlook that we imagine will develop in the years ahead. The Government's low carbon transition plan painted a picture that suggested that the volume of imports would not change over the next decade, and that the use of gas was supposed to come down sufficiently fast that imports could be maintained at the same level. Nobody in the real world believes that. Many people, including key industry observers and analysts, believe that 70% or 80% of our gas will be imported by 2020. If we do not start to take action now to ensure our security of supply with that level of imports, we will reach such a situation and it will be critical and unachievable. We recognise that at the moment, the short-term outlook is relatively benign for a range of reasons. We must take steps now to address the situation.

I recognise the crucial contribution that Langeled and the liquefied natural gas facilities have made. As the hon. Member for Southampton, Test (Dr Whitehead) said, just because we have a facility does not mean that it will be used. The LNG facilities are often on tankers that set off around the world without a particular market in place, and they will go to the highest bidder. That is not the cheapest way of getting gas, but we can get it if we are prepared to pay more than anybody else.

Dr Whitehead: My point about the current idleness of United States LNG terminals, and the changes in the US gas market as a result of shale gas, means that the LNG market is substantially changed regarding the destination of those supplies to countries other than the US. Therefore, on a worldwide basis, the LNG arrangements have begun to be altered by that factor over the past few years. My point was about the role of LNG in our energy security considerations, and the extent to which, should there be issues of gas supply in the UK, LNG now appears to be a better option than has been the case over the past few years.

Charles Hendry: There is no doubt that the situation has become more benign as a result of the discoveries of shale gas. We are still trying to establish how substantial we believe shale gas to be, and at what cost it can be extracted in the United Kingdom and over what time scale. It is a game changer in the United States and, as the hon. Gentleman suggests, it has virtually wiped out its LNG imports. We think that it will be significant in

China and may change the dynamics of new pipeline connections within central Asia. We think that it will be large in places such as Poland, but we do not yet have a full grasp of the implications for the United Kingdom. It has undoubtedly meant that more gas is available for our LNG facilities than there would otherwise have been. As a precautionary approach, we must look long-term at our vulnerabilities and our exposure to imports, and ensure that measures to protect security of supply are in place through storage and long-term contracts. Those areas were all set out in our policy paper ahead of the election, and a range of issues will be used to address the existing challenges.

The hon. Member for Islington South and Finsbury spoke about how the last Government had doubled the amount of renewable energy. She managed to get the UK to No. 26 in the European Union, which was undoubtedly an enormous triumph. I think that we are just ahead of Malta, but have slipped behind Luxembourg, which is obviously a desperate blow. Frankly, it is not a good place to be and we need a sevenfold increase over the next decade to get us where we need to be. That is a massive challenge and more must be done across the spectrum.

There is an issue about winning public support. We believe that renewable energy should not be imposed on communities, but should have popular support within communities. The previous Secretary of State, the right hon. Member for Doncaster North (Edward Miliband)—now shadow Energy Minister before he moves on to his new job—has spoken of different techniques. First, he said that people should have wind farms because it would be good for everybody. That did not really win people's hearts and minds. He then said that people should have a wind farm because it would be bad if they did not—a bit like somebody who drives across a zebra crossing without stopping—but that did not win hearts and minds.

We think that a new approach is necessary that will actively engage communities in ensuring that they see what the benefits will be. They will keep business rates locally. We will find ways of encouraging community ownership. The income stream from one of the turbines perhaps goes directly into the community, so it can see that it is hosting something on behalf of the wider region or the national interest and that a real benefit comes back to it for hosting the facility.

I agree with some of the comments from the hon. Member for Southampton, Test. Because of the inherent flexibilities in the system, one has to consider how one manages that. One has to have back-up systems or use what I hope will become a particularly exciting area of policy—storage technologies. Those can involve compressed air, pumped storage, hydrogen and batteries. The pace at which global technologies are moving forward in that area is very exciting. It offers us eventually the great prize of renewable energy from wind being available when people want it, rather than simply when the wind provides it. I think that that will be an important part of policy.

The hon. Gentleman also talked about the smart grid. That is the great prize of smart metering—the ability to manage demand much more effectively and to try to ensure that we can shave off demand at the top and have a sensible structure for managing the system.

Let me move on to some of the other technologies that were raised. The hon. Member for Islington South and Finsbury rightly spoke about nuclear. We would be further ahead had it not been for the moratorium, but the position of the Government now is absolutely clear. Nuclear will be part of the mix if it can be built without subsidy. There are no ifs or buts; that is an absolutely clear position.

I hope that the hon. Lady will work with us, because in opposition, I was very happy to work with the Government to reassure potential investors, to the extent that I was asked to go to the investors forum a couple of years ago so that investors could be told that the potential new Minister, if there was a change of Government, was attending and could give that continuity of policy. Investors attach enormous importance to that political stability. I hope that, given that the position is absolutely clear, the hon. Lady will decide that she wants to be a serious contributor to the debate, rather than making political comments from the sidelines, because that will do more to undermine the case for new investment than anything happening elsewhere. There are communities up and down the country that want to see parties working together on this issue. We have a clear position, which is essentially the same position as that of the previous Administration, and I urge her to work with us.

An important point about the changes that we are making is that we have said that the national policy statements will be voted on on the Floor of the House. That will send a clear message to investors that there is massive cross-party support for the national policy statements when they are put forward. I hope that that will be the outcome of that process. It is not just a political party saying, "This is our position," but the House as a whole expressing its view on the national policy statements. That makes the process more robust, reduces the risk of judicial review and enhances the prospect of making progress.

Emily Thornberry: The problem with the changes to the planning system is not just who will make the national policy statements and how they will be decided, but how they will be implemented and the fact that a Minister will be implementing the decisions. That is the reason why many people and organisations are concerned that there will be delay. That is a vital issue in respect of the development of our infrastructure.

Charles Hendry: Let me seek to reassure the hon. Lady. The discussions that we have had with industry have reassured it about the changes that we are making. Our concern about the Infrastructure Planning Commission was that it had no democratic accountability. Decisions on nationally significant issues were being made with no prospect of contributions from Members of Parliament and without the opportunity for parliamentary scrutiny. We believed that that was not just democratically wrong, but enhanced the risk of judicial review, so the change that we have made is that the back-office function—the work of analysing the individual planning applications—will go ahead as originally planned but within the planning inspectorate, and the recommendation will then be made to the Secretary of State, who will have three months to make a decision. That is exactly the same time scale as would have been the case under the IPC, but there will

[Charles Hendry]

be less chance of judicial review and there will be greater parliamentary accountability. Also, transitional arrangements will be in place so that whichever system an application starts under, it will complete under it. There will be no risk, when the system changes, of an application that was two thirds of the way through having to start again. Whichever jurisdiction it starts under, it will continue under.

The process provides the speed that is necessary and that industry is keen to have. It provides greater scrutiny, greater acceptability and less risk of judicial review, which might delay the whole process by six or 12 months. Those are the reasons why we have made the changes, but we have been extremely conscious throughout of the need to maintain investor confidence, and the work that we have carried out with the investors reassures us that we have got the balance right.

Emily Thornberry: I am very interested to hear what the hon. Gentleman is saying, and it is clarifying a number of issues, but there is the additional residual problem. He talks about the national policy statements being agreed on the Floor of the House and party politics therefore being taken out of it. Nevertheless, if an individual Minister will in the end make the decision, surely party politics comes straight back in again.

Charles Hendry: The hon. Lady is absolutely wrong. The Minister is acting in a quasi-judicial capacity. He is acting not as a party politician, but as someone who has a legal responsibility. A recommendation will be put to him through the planning inspectorate as to whether to accept or decline an application. He will not be able to say, "That's a little bit close to a Conservative seat"—or a Labour seat—"so I won't give it the go-ahead." He must decide on the basis of the argument put to him and must explain why he has either accepted or declined the application. The process is intended to maintain political impartiality.

I can tell the hon. Lady that I do not believe that in any decision I am making, there is a political imperative about where a national grid connection, a nuclear power plant or a new gas-fired plant goes. My job is to look after the national interest and to ensure that applications are made in line with planning law. To me, this is not a party political issue, as I hope the hon. Lady will accept. We are deciding on projects of national significance and trying to get the right outcome as far as the country is concerned.

Emily Thornberry: The hon. Gentleman talks about political impartiality and a quasi-judicial function, but surely a Minister has choice. If a Minister is to act in a judicial fashion, he or she simply has to step out of the arena and make a quasi-judicial decision. I do not understand, if someone is to make a decision in some sort of judicial capacity, how that is democratically accountable. Either they are allowed to use their political brain and make a decision, which is then democratically accountable, or they use a judicial one, which steps outside the arena and outside politics.

Charles Hendry: The fundamental difference is that a Minister sits in Parliament. A Minister can be questioned by Members of Parliament. They can be called before Select Committees much more readily. There can be debates in Westminster Hall or Adjournment debates in the main Chamber. There is a range of areas where the Minister can be subject to scrutiny on the decision made. It is a quasi-judicial role, but we believe that it provides a degree of democratic accountability that is simply missing within the IPC. We may simply have to disagree. We believe that the process maintains the speed and the important elements of the IPC—changes that the previous Government put in place—but it rectifies the democratic deficit.

The hon. Lady raised additional matters relating to the nuclear sector. She asked about the work of the Nuclear Decommissioning Authority. We take very seriously the legacy issues, but we separate out the legacy responsibilities from new build. There is no doubt that clearing up the old legacy issues, which are a combination of civil and military nuclear issues, is something for which the nation, the taxpayer, the Government have to be responsible. The previous Government addressed putting that right with a degree of seriousness that had been missing historically, for which I give them credit, but much is guided by independent legal assessment. The Government are not at liberty to decide which bits they want to do themselves. They are required by law to carry out certain actions now in respect of the clear-up, and that work is central to the work of the Department.

The hon. Lady will be aware that the NDA's budget is about half the entire departmental budget, so if there are areas that are not absolutely necessary and there are areas where we can gain additional resources and revenue, we will, rightly, consider those as well, but I ask her to be in no doubt whatever about the moral imperative that we attach to addressing the legacy issues.

The hon. Lady also asked about Sheffield Forgemasters. I repeat the assurance given by the Secretary of State in the Chamber last week during oral questions. He said that it was purely about costs, and that the nation could not afford many of the projects that had been approved—it was on those grounds rather than because it was related to the nuclear industry. He also highlighted the fact that had the directors involved been willing to dilute their shareholding it would have been easier to get a commercial loan. Is it the Government's job to put public money into a private company to enable directors to maintain their shareholdings if commercial arrangements could have enabled them to secure that loan elsewhere? The directors now say that they will seek to carry this forward through other mechanisms, seeking loans and support elsewhere. We believe that that is right. At the end of the day, however, it is not about nuclear; it is money that the Government simply do not have. We have run out of money, as the former Chief Secretary told us.

Emily Thornberry: The problem with the Minister's explanation is that he was talking of a commercial loan. Given that the company is worth £40 million and the loan was for £80 million, it was not a question of selling shares to raise money; the company was not worth the amount of the loan. That is the problem. That is why we need a forward-thinking Government, that has ambition but which understands the importance of moving to a low-carbon economy. The Secretary of State for Business, Innovation and Skills often criticised the banks for not being forward-looking enough when he was in opposition; now, in government, it would seem that he is falling into exactly the same trap with the banks that he used so readily to criticise.

Charles Hendry: We are considering a whole range of things to which the previous Government were committed. Many were laudable, worthwhile projects, but we have to accept that we have run out of money. That was the fundamental problem. There was nothing about the nuclear industry, the locus of her original charge; we had to consider major areas of expenditure, and commitments that had been made that could not be funded. It is a good company and a good project, and we want it to happen, but we have to decide whether public money should be contributed, given that we are trying to reduce some of the pressures and burdens on taxpayers. I assure the hon. Lady that the decision was based on the fact that the money was not available; it was no reflection on the company's workmanship, which is outstanding, or the nature of the project itself.

The hon. Member for Hartlepool spoke about the north-east and the contribution that it can make, as he has done before. I asked whether I could visit the area rather than him inviting me, but my offer to visit is still there. I shall have to be slightly careful about those nuclear plants that are going through the planning process, as I may subsequently be involved in some of those decisions. However, I am particularly keen to see some of the supply chain opportunities and the industries that ride on the back of them. I recognise the fantastic opportunities and potential of the north-east, and of those elsewhere.

What is exciting at the moment is that many parts of the country are looking at their energy potential. Cumbria is calling itself the energy coast, and Anglesey calling itself the energy island. Many see it as a key point in selling their areas to potential investors. The skills base of the north-east and the extraordinary depth of experience in the engineering and technical sectors must be an incredible attraction to industry. People looking to come to the United Kingdom will undoubtedly consider the north-east to be a priority area. I would very much welcome the opportunity to see some of that potential with the hon. Gentleman.

Mr Iain Wright: Before the Minister moves on from the economy of the north-east, will he comment on the prospect of One NorthEast and the regional development agencies in providing such leadership to potential investors on the energy potential of my region?

Charles Hendry: I am sorry, but I should already have done so, as the hon. Gentleman raised the matter earlier.

We believe that some of the things that the regional development agencies have done were truly strategic, but that others were slightly artificial. People's view of RDAs is different in the various parts of the country. Having been to see One NorthEast, it is clear that the area had a better sense of regional identity than in my region of the south-east. There is not an enormous amount binding the western end of Oxfordshire with eastern Kent; people have different perceptions in different parts of the country. However, there must be rationality.

Most coastal RDAs say that they are the No. 1 place in the United Kingdom to develop offshore wind facilities, but they cannot all be No. 1. If we are trying to attract big international investors, there may be a case for considering the wider national interest rather than breaking things down further. However, RDAs have undoubtedly done some exceptional work. For example, Yorkshire Forward has been considering how to put a carbon capture and storage infrastructure in place; it is ahead of anything else in England. I hope that some of that work will be continued, even if RDAs are not part of that future—they may be in some parts of the country—but local authorities, which are responsible for business development, might see it as a particular advantage for their communities, and be keen to ensure that it is part of the mix. Again, I am happy to visit the north-east to talk to those in the RDA about how we can build on the work that has already been done.

The hon. Member for Islington South and Finsbury spoke about carbon capture and storage. I shall answer directly some of her questions. She asked whether every new plant built after 2020 would be required to have full CCS. The position is as it was under the Labour Government, which is that they will be required to have CCS or that it should be retrofitted in due course. An important aspect of the levy is that it can be used for retrofitting in plants used in the pilot projects.

The hon. Lady asked whether the four plants would all be coal or whether one would be gas. We are considering the recommendations of the Committee on Climate Change, which said that we should be doing a pilot project on gas. We need to consider the balance, deciding whether one of the four should be gas or whether the first four should be coal. There is no doubt in our minds that coal is the imperative. Coal is the greater polluter; it is where the technology is closer to the market. The focus is very much on coal, but we were pleased that the levy was changed under the Energy Act 2010 to allow it to be used also for developing gas and biomass technologies. The hon. Lady also asked about the emissions performance standard. We are indeed committed to putting in place an emissions performance standard, and in the near future we will be setting out our thinking and how we intend taking it forward.

The hon. Member for Southampton, Test always brings a huge amount of wisdom and experience to such debates, for which I am grateful. He spoke about the oil sector. I agree with him on the subject of peak oil. Realistically, we will not know when peak oil has happened until some time afterwards. However, Nobuo Tanaka of the International Energy Agency spoke earlier this week about the need to bring down demand ahead of the peak in supply. If we can get the peak in demand to come earlier, consumers will benefit because the price of oil will drop dramatically. If the peak in demand happens after the peak in supply, the oil companies will benefit because they will be able to ramp up their prices. For me, that shows the imperative to decarbonise society and to move ahead more quickly.

We have talked of energy efficiency today; that will clearly be part of the solution. We shall need to decarbonise ground transportation, but we also need more low-carbon methods of electricity generation. In looking at the way forward, we need long-term vision. We must decide what steps should be taken now in order to pre-empt the inevitable; the situation will become more challenging over time, and we must try to ensure that society and the nation decarbonise.

I pick up on what the hon. Gentleman said about international reliance. I was intrigued by some of his comments. It appears that he is willing to accept it in some areas but less so in others. For example, we get most of our coal from imports, Russia being the single

[Charles Hendry]

largest market from which we buy, and we will become increasingly dependent on imported gas from Norway and Qatar. I am not sure whether he wants to see the closure of the LNG facilities, but picking out nuclear and uranium as being something that we import was slightly perverse in the wider context. Diversity is as important as our domestic resources. We enhance our security of supply by having a range of methods of electricity generation and different sources of supply.

Dr Whitehead: The hon. Gentleman is right to emphasise the fact that the aim of being as energy self-sufficient as possible does not necessarily mean that we should cut off all other sources of energy supply to achieve that goal. Indeed, a 50% reliance on renewables means that we are 50% reliant on non-renewables, which may be sourced from places outside the UK. My point about uranium was not to question the supply sources, but to bring into view the idea that there may well be a peak uranium issue in the same way in which there is a peak oil issue and whether we ought to factor that into our considerations of the long-term supply of that particular source.

Charles Hendry: We undoubtedly have to factor in such a consideration. There is 40 years' supply of ground-based uranium, but there could be 1,000 years of supply of water-sourced uranium. We may also need to consider other technologies such as thorium power, which clearly does not have the same weapons risks, to see what role they might play in the future.

Let me finish on an area of common ground. The hon. Member for Southampton, Test discussed international grids and connections on the electricity side. That is a very important aspect of our security, and it means that we can consider how to address some of these challenges on an international basis rather than seeing ourselves purely as an island in which we have to generate all our own electricity and all our sources of energy domestically. Moreover, it means that there are parts of the world that will inevitably benefit greatly from that. Potentially, we could have hydropower coming in from Scandinavia, geothermal energy from Iceland going to the southern part of the European grid, and electricity coming from concentrated solar power in the Sahara. That is what makes this such an exciting brief. The opportunities are utterly different from anything that has existed before, but we must have the mindset to succeed. We need a long-term vision that goes beyond 2020 to 2040 and 2050, and we have to consider building all the facts into a map so that we can see where all the potential sources may arise. The underlying principle has to be that energy security is the driving force of our policy in this area. If we can get energy security right—and we have touched on so many of the issues in the course of the debate today, for which I am truly grateful to the hon. Lady and hon. Gentlemen—we will put in place a system that will pass the test of time, move us to a genuinely low-carbon society and keep the affordability issue right at the top of our minds as well.

Miss Begg, we are grateful to you for chairing our discussions this afternoon. I hope that I have answered some of the questions that have been raised during the course of this debate.

Question put and agreed to.

4.32 pm

Sitting adjourned.

Westminster Hall

Tuesday 13 July 2010

[Mr Mike Hancock *in the Chair*]

Offshore Energy Industry

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Vara.)*

9.30 am

Malcolm Bruce (Gordon) (LD): I am delighted to have this debate and to speak under your chairmanship, Mr Hancock. As I hope my contribution will make clear, the debate is about one of the most vital sectors of the UK economy, in terms of both securing our deficit reduction and growing the private sector. It is fair to say that in the House a relatively small number of hon. Members engage in detail with the sector, but it is hugely important to the British economy and I am grateful to those hon. Members who are present. I understand that a number of hon. Members have the first sittings of Select Committees in Parliament this morning, which may make it difficult for them to stay for the whole debate. I completely understand if that is the case. Being the Chairman of a Select Committee, I have had the luxury and indulgence of being able to secure a timing that is compatible with this debate.

I have been associated with UK oil and gas developments for nearly 40 years, since 1971, when I became the research and information officer with NESDA—the North East Scotland Development Authority. At that time, exploration was in its infancy. The Montrose field was discovered, and in the autumn of 1971 BP announced the successful testing of the first commercial well for what became the Forties field. After that, Aberdeen went into boom mode as the UK scrambled to get the maximum production out of the North sea, while the Organisation of Petroleum Exporting Countries asserted itself, squeezed supplies and forced up prices across the world. Field after field was brought on-stream. That boom continued until the oil price collapsed in the late 1980s and then there was a sharp and painful downturn.

However, for all of the past 40 years, despite ups and downs, the offshore industry has made a huge contribution to the UK economy. That continues to be the case. We shall be at another key point of development over the next two or three years, when how we deal with the industry as it changes and as other industries associated with it come on-stream will determine precisely how much of a contribution it will make to the UK economy over the next 40 years. There is the development of the renewables industry, which shares much of the same technology as the offshore oil and gas industry. They can complement each other and compete.

Among those who are not well acquainted with the offshore energy industry, there is a presumption that oil and gas are in sharp decline and little recognition of the crossover between oil and gas and renewable energy. In Oil & Gas UK's latest economic report, there is a clear indication of a huge industry with a long-term future. Domestic oil and gas production was 2.4 million barrels of oil equivalent a day in 2009. That is equivalent to 94% of the UK's oil needs and 68% of our gas requirements. With sustained investment, that level of production will decline slowly, at about 5% per annum, although even that may level off if we get the right type of investment. The position is that 39.5 billion barrels of oil equivalent have been produced, with between 15 billion and 24 billion barrels of oil equivalent of recoverable reserves remaining.

Capital investment, which had declined, is now rising again towards an estimated £6 billion or more. Indeed, the industry's total spend in 2009 is estimated at £12.3 billion. With the oil price rising, tax paid in the current year is expected to rise to £9.4 billion—a 45% increase, based on an oil price of $78 a barrel. On top of that, the balance of payments benefited to the tune of £27 billion, and there is £5 billion of exports—a figure that is growing. Altogether, the industry sustained 440,000 jobs across the UK.

It is important to put the figures on the record, because too often people do not appreciate how huge the industry is and how important it is not just to the north-east of Scotland, but to the whole United Kingdom.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): I congratulate my right hon. Friend on raising this subject for debate. He is making a vital point. In the north-east of Scotland, we are probably aware of just how vital the industry is to jobs and investment there. What is important is getting the message across to the rest of the United Kingdom about what a success story the industry is. He has touched on the industry's export potential. The vital point that he is developing is that, with the right encouragement and investment, there is a long-term future for many more jobs for the whole of the United Kingdom. That will be the case if the Government can get the policies right to encourage companies to locate in the north-east of Scotland.

Mr Mike Hancock (in the Chair): That was very nearly a speech, Sir Robert.

Malcolm Bruce: It was a long intervention but an appreciated one, because it reinforces the point. Exactly as my hon. Friend says, we who represent the north-east of Scotland know and understand the industry. Generally when it is debated in the House, we are the only people who turn up, along with one or two others, yet the industry accounts for more than 20% of all UK industrial investment. There are much better attended debates on industries whose economic impact is far less than that of this industry, so I make no apology whatever for stressing its importance and for bringing it to the attention of the House and the Minister. I know that the Minister understands these issues and I hope that his response to the debate will demonstrate that.

We have a huge amount of technical innovation to enhance the recovery of our existing reserves, to operate in more difficult areas and to squeeze more oil and gas out of the existing reserves that we have found and, at the same time, to adapt the technology to be able to install offshore wind farms and provide for electrical transmission and possibly other marine renewable energy. This is one of the industries that could help to grow the private sector and grow the recovery of the UK economy if it is handled correctly. It is my contention, and the purpose of asking for the debate was to say, that the economic and Exchequer revenue potential of this sector for the UK economy is massive, and if it is not properly handled, significant future benefits could be put at risk.

Let me be clear. Aberdeen and the north-east of Scotland have welcomed the offshore industry and built

[Malcolm Bruce]

up a critical mass of innovation and global activity. It is estimated that more than 1,000 companies are based in our area.

Miss Anne Begg (Aberdeen South) (Lab): I suspect that the right hon. Gentleman was coming on to this point, but Aberdeen and the north-east of Scotland excel not only in the technical expertise but in the intellectual expertise necessary for an energy industry—not just oil and gas. The crucial part that is played by both universities in Aberdeen—Aberdeen university and Robert Gordon university, in my constituency—is very important to the future well-being of the whole area.

Malcolm Bruce: I am grateful to the hon. Lady because that is a very welcome and pertinent point. There is a critical mass; there is almost a buzz around Aberdeen among those who are engaged in the industry, because they are at the cutting edge of global technology and innovation. Companies have developed in the area to service activity on the UK continental shelf, but what they have learned in the process of doing that is of so high a standard—we are talking about world-class standards—that many companies are now exporting much, and in some cases the majority, of their output all over the world. That is why we have £5 billion-plus of exports, and that figure is rising quite sharply.

A synergy and value are being added by that dynamic critical mass. Engineers, technicians and certainly academics based in the north-east of Scotland travel all over the world, winning business and servicing the offshore industry. Aberdeen is the world's leading centre for innovative sea technology. It is a good story and I do not want anyone to suggest that my concerns are about anything other than saying that the north-east of Scotland welcomes this industry, is open for business and has a very dynamic relationship with it, but we need to keep it and to build on it.

I want now to address offshore infrastructure, which is the purpose of the debate. Over the past 40 years, platforms, subsea completions, offshore loading systems and pipelines have been installed all over the North sea, but many of the fields that they originally served have declined, and Brent crude, the North sea's oil price benchmark, may soon be a thing of the past. BP has sold its interest in the Forties field to Apache, and operations and developments have transferred across the acreage. New, smaller fields are being developed, and they require creative engineering and access to the existing infrastructure to make them viable.

I know that the Department fully understands Oil & Gas UK's assertion that the North sea's future lies in exploiting smaller, marginal and technically challenging reserves, the majority of which will not support stand-alone infrastructure, and I am sure that that is why the Department has established the infrastructure code of practice, but there is concern in some quarters about how the code works in practice, and that is borne out by Endeavour International's request for the Government to arbitrate on its pricing dispute. The other problem is that the older infrastructure was, by definition, developed by the majors—the bigger companies—but is now required by smaller companies. In negotiating terms, there can be an imbalance between the parties, which the Department needs to address to ensure that we achieve optimum use.

I, for one, am pleased that the Government have explicitly recognised the need for a stable and fair fiscal regime for the industry, not least because I and my hon. Friend the Member for West Aberdeenshire and Kincardine (Sir Robert Smith) were instrumental in getting a commitment on that into our party's manifesto, and the Minister may well have done the same with his party's manifesto. I am also pleased that a greater understanding has developed between the Treasury and the industry in recent years, and the hon. Member for Aberdeen South (Miss Begg), in her capacity as the chair of the all-party group on the oil and gas industry, has arranged one or two useful briefings with Her Majesty's Revenue and Customs to give us an insight into how that understanding actually works.

I therefore accept that there is a recognition of the need to balance the desire for short-term tax revenues and the long-term prospects offered by future investment. In simple terms, however, the tax regime can influence investment positively or negatively and therefore—I will return to this—alter the potential revenue profile. Centrica, for example, has said that it has expertise in developing tight gas, but that because that is generally found in larger fields, development does not qualify for new-field allowance or any other allowances, which delays investment, prejudicing security of supply and revenue. Perhaps the Minister can comment on whether his Department or the Treasury are in any way active in addressing that issue.

There is also concern, or at least debate, about the future of the petroleum revenue tax and how it might impact on abandonment and decommissioning, which could be carried out prematurely and in contradiction of the decommissioning code of practice. There is discussion—certainly in the industry—about the scope for PRT buy-out, which has an upside and a downside from the Treasury's point of view in that it could provide the Treasury with an early cash flow, but only in exchange for future liabilities, and that is a fine balance. Again, it would be interesting to know whether the Minister or the Department have a view on that.

The Secretary of State visited the All-Energy exhibition during his first week in office and saw for himself the growing engagement in offshore technology and the crossover between oil and gas and renewables. That crossover has potentially useful synergies for manufacturing and installations, but it could, as the industry recently said, also create competition between the sectors, which could cause cost inflation, especially if there are significant infrastructure constraints. That could make marginal investments unprofitable and squeeze them out altogether. The core of my concern is that constraints on infrastructure—offshore or onshore—could prejudice investment and cost us jobs, revenue and economic benefits.

Indeed, RenewableUK sent in a contribution this morning making the same point. E.ON states:

"having the right infrastructure in place to accommodate these vessels is essential for making the UK the place for carrying out installation works, when other ports in continental Europe could carry out the same function."

There is real concern that installation work for UK North sea offshore energy could be carried out by continental ports and that a lot of the support work associated with that installation could therefore be

transferred to companies based on the continent. That is one of the concerns that needs to be addressed.

E.ON also said:

"One of the key requirements at port is space for the storage and pre-assembly of foundations and wind turbine parts and port authorities need to see a clear commitment from Government to offshore wind in order to have confidence to invest in these types of facilities."

The Chancellor of the Exchequer indicated that there would be £60 million of grants to develop port facilities. Can the Minister give us any more information about that in his reply? E.ON's point was not only that Government money may contribute to ensuring that these things happen, but that private money will be invested in ports provided that there is confidence that the level of activity justifies that investment.

Concern has been expressed about how the infrastructure for offshore wind can be developed. One argument that has been put to me is that developers would like more control over access to infrastructure—for example, designing and constructing it, before transferring it. There is concern that, if the infrastructure is owned by somebody other than the developer, that could lead to delays and make investment calculations more complicated.

There seems to be universal opposition to the bureaucratic confusion between the Department of Energy and Climate Change and the Crown Estate, which are responsible for licensing the sea bed for offshore renewable energy. The Minister expressed his view on the issue in opposition, although I do not know whether he or his Department still hold to that view. My question is simply what prospects there are of DECC becoming the sole licensing agency. The industry is certainly asking for it to take on that role. To anticipate the counter-argument, I accept entirely that the interests of the fishing industry and other commercial maritime interests need to be taken into account, but I, for one, see no reason why DECC could not be trusted to take on such a role.

The story today is as follows. Offshore oil and gas is in a mature phase and has a more challenging and fragmented role than in the past. Properly handled, however, it will make a huge contribution to the UK's energy supply, investment, our balance of payments and jobs, as well as to deficit reduction and economic recovery. At the same time, we have a growing, new offshore renewable energy industry, which shares some of the same technologies and therefore offers diversification. The industry is already heading for a £2 billion turnover and it has the potential to grow, more than taking up any slack that might emerge in the oil and gas sector. As I said, competition between those sectors could be inflationary despite the obvious synergies. For example, it could cause cost inflation in terms of offshore vessels, because there are nothing like enough vessels to meet the challenge of further developing the North sea, and the same could apply to subsea equipment. All that could prejudice marginal investments so that they do not happen at all.

Ideally, companies operating in the northern North sea would prefer to base their operations in the UK, with north-east Scotland as the preferred location for many of their activities. I completely accept that it might not concern the UK Government if pressure in the north-east leads to development elsewhere in the UK, but Ministers should be concerned if that pressure leads to development elsewhere in the world, whether in Europe or further afield. My concern is that costs and operating difficulties could lose the UK investment altogether, and it is important that UK Ministers understand the problems that north-east Scotland faces, so that we can give these crucial industries the infrastructure that they are entitled to expect.

I turn now to an issue that is not the direct responsibility of the Minister's Department, although it should concern him. Compared with other energy centres around the world, Aberdeen does not live up to its role as Europe's offshore energy capital. As one correspondent put it:

"Rail connections are poor and, if anything, in decline. Road to the north is very poor. Air needs sustaining and key connections improved."

The Aberdeen western peripheral route, which will provide a bypass around the city from the north and north-west, faces delays and uncertainty over funding, but it is essential to the city's functioning and future credibility. Aberdeen City and Shire Economic Future, which seeks to promote the optimum development of the UK economy, is looking for ways to secure the energy industry's long-term future, anchoring the industry in our region. It is also promoting a development corridor between Aberdeen and Peterhead called Energetica and hopes to attract a range of energy-related developments.

Anyone who knows the geography of Aberdeen will appreciate that its viability depends on the completion of the bypass and the A90 dual carriageway to the north. Further improvements to the A96 Aberdeen to Inverness route are also required, including to the notorious bottleneck at Inveramsay bridge, where the trunk road passes under a railway; single-file traffic is controlled by traffic lights at that point, and large vehicles are diverted along a B road. Much has been promised, but nothing has been done to resolve the problem.

At the same time, the proposed commuter rail service between Inverurie and Stonehaven—it has always been presented as a complement to the bypass; it is not just a road but a transport solution—has made no progress, not even in relation to the simple job of providing a station at Kintore, a community that has quadrupled in size over the past 10 years. However, although rail investments in recent years have far exceeded the business plan, conservative predictions continue to be used to justify resisting a commitment to further development.

Miss Begg: The right hon. Gentleman is right that the north-east, and particularly Aberdeen, has been waiting for a long time for a western peripheral route. Thanks to the last Labour-Lib Dem Administration in the Scottish Parliament, it was finally agreed that it should be built, but almost 10 years later we are still waiting. Not even a centimetre of tarmac has been laid, despite the spending of £100 million. The lack of a western peripheral road and of Crossrail is a double stranglehold. One would help deal with traffic congestion and both would be excellent, but we have neither.

Malcolm Bruce: I completely agree. I urge the Minister to listen to this part of the debate. I can anticipate his reply. His brief will say that they are matters for the devolved authorities and local authorities. Indeed they are, but if for whatever reason those authorities are not able to deliver that infrastructure, it is UK Departments that will lose the economic benefit and the tax revenues.

[Malcolm Bruce]

It is important that joined-up government engages in this, and I have some practical suggestions and questions for the Minister. I hope that he will not think, "Ah, this is the bit where I just offload it to the devolved Administration." It is much more serious than that. I am deliberately not trying to pin blame. I simply observe that these vital investments, which are crucial to the dynamic operation of the city of Aberdeen to deal with the next 40 years of development, are not happening. It is important that the Government understand that, and that they are engaged.

Twenty years ago, I was successful in securing the reopening of Dyce station, which has proved a great success. Indeed, trains are so overcrowded that one cannot board them at that station for safety reasons. The problem is that, while the station remained closed, the airport terminal was moved to the other side of the airport, so that vital link is no longer there. The airport has had investment, but for an energy centre of Aberdeen's importance the range of services and flight links is limited, and the ground links fall far short of what is needed, as those who get stuck there at 5 o'clock will know.

The Minister of State, Department of Energy and Climate Change (Charles Hendry) *indicated assent.*

Malcolm Bruce: I see the Minister nodding. He has been in that situation and will understand.

The two local authorities that serve the north-east of Scotland are struggling to deliver essential services on funding levels well below those of other Scottish authorities, but the latter do not face the same pressures. Both authorities receive grant aid at well below 90% of the Scottish average, despite having the fastest population growth in Scotland—indeed, compared with some parts of Scotland, the only population growth. Aberdeen city businesses pay around £150 million in business rates and receive back only half of that. Although Aberdeenshire is a net beneficiary, the overall grant allocation is a significant net loss.

It is important for the Minister to be aware that in the 1970s, when the scramble to develop the North sea was under way, local authorities in the north-east of Scotland received extra rate support for five years to enable them to meet the infrastructure needs of the growing industry. It was a special one-off recognition of the pressure that they were under. I suggest that something similar may be required now if we are to deliver people's hopes and expectations for the next 40 years.

The population of the region has grown by around 50,000 over the past 40 years and it is projected to grow by a further 50,000 in the next 15 years. Unemployment is low and incomes are high. People may say, "You've got low unemployment and high incomes. What's your problem?" The problem is that that income does not stay in the area. Taxes go to the Exchequer and business rates go to the Scottish Parliament, and we are dependent on grant support coming back to the area. Unfortunately, that does not happen enough—we do not have sufficient resources. Because of those pressures, housing costs are high, as are the costs of recruiting and retaining key people.

A substantial section of the British economy, for which the Minister and the Treasury are responsible, could be the biggest losers if we do not get it right. I shall give some statistics. If we lose only 1% of the forecast potential average development over the next few years, it would cost us £74 million a year in tax revenue, £270 million a year on the balance of payments, £50 million in exports, £60 million in investment, £60 million in operational spending and 4,400 jobs. If we lost 5%, it would cost us £480 million each year in tax revenue, £1,350 million on the balance of payments, £250 million in exports every year, £300 million in investment and £300 million in operating costs, and 22,000 jobs. I hope that those figures reinforce the fact that a small shortfall could result in us losing a substantial amount of revenue.

I therefore ask three things of the Minister. First, will he engage with the Treasury over the fossil fuel levy attributable to Scotland? The Economic Secretary has confirmed that the Government are committed to reviewing the

"control and use of accumulated and future revenues from the levy".

I suggest that it would be appropriate for a substantial proportion of that to be allocated to infrastructure support in the north-east of Scotland, specifically to support the offshore renewable industry. I make no bones about it. It would help both oil and gas and renewables. That would be an appropriate use of the money, both now and in future.

Secondly, I remind the Minister that, through an Act of Parliament, Shetland and Orkney secured a share of the continuing revenues based on the flow through their respective oil terminals. No such provision was made, or sought, for the north-east of Scotland, probably because it did not expect to be so badly squeezed by the funding arrangements as they are. That is despite the area being a major landfall for oil and gas. I do not know how many pipelines cross my constituency, but it is probably into double figures. It is also the most important land base for offshore operations.

I therefore suggest that some consideration be given to the tiniest share of revenue from the oil and gas industry being earmarked for infrastructure. That would pay dividends by ensuring maximum long-term revenue. That may sound like a bid for new money, although there is a way of presenting it that would not. However, I return to the debate within the industry about the possibility of PRT buy-outs, which could create a cash-flow windfall for the Treasury. If the Government were minded to consider it, that bonus could support a small infrastructure fund.

Thirdly, given representations made during the debate by other hon. Members, I hope that the Minister will engage constructively with Ministers in the Scottish Administration. If they fail to support essential infrastructure in the north-east, it will prejudice not only the Scottish economy but the entire UK economy. In order to deliver that investment, it is therefore legitimate for the Government to have a partnership with the Scottish Government. So far, they have failed to so. I am trying hard not to be too political about it, but the facts are as the hon. Member for Aberdeen South made clear. Although promises have been made, delivery has not been achieved, and that is a real anxiety for the industry and its confidence in future investment.

The north-east of Scotland is a key economic region for the UK. It delivers far above its weight for its small population, but for it to continue to be a driver of growth for such a large chunk of the UK economy, it needs recognition and support. It suffers from relative remoteness. I meet too many people in Scotland, let alone in England, who tell me that they have never been to Aberdeen, and they have a very warped idea of what it is about. In some ways, the dynamism of the north-east of Scotland is perhaps Britain's best kept secret. There are not 500,000 people anywhere in the United Kingdom who contribute so much economically. Indeed we have statistics to show that the contribution per capita of the north-east of Scotland is the highest of any region in Europe, and I am not sure whether that is fully recognised or acknowledged in the way in which it is treated by Government at all levels.

I know the Minister, and I believe that he understands much of what I am saying. He certainly knows Aberdeen, and Aberdeen knows and respects him. I look to him to ensure that the whole Government recognise the importance of the issue and act accordingly. I have tried to identify not just the problems but some possible solutions. I have tried to emphasise that if we do not get this right, it is the UK Government and the UK economy that stand to lose the most. We in the north-east of Scotland can proudly say that we have made an enormous contribution to the whole of the UK over the past 40 years, and the right decisions taken now can ensure that we will do that for the next 40 years. I hope that the Minister will understand that this is not just an opportunity for a local press release, but a serious debate where there is real and genuine concern within the industry that, if these issues are not addressed, a substantial amount of investment in the UK economy could be lost.

10.1 am

Mr Frank Doran (Aberdeen North) (Lab): I congratulate my neighbour—I was about to say my right hon. Friend but that would have been a mistake, given his recent political aberration—the right hon. Member for Gordon (Malcolm Bruce) on putting such a strong case. I do not demur from anything that he said. It is important to put out the message that the future for the oil and gas industry is positive. As he rightly says, there is a view that there is a sharp decline in North sea oil and gas, but that is not the case. The decline is shallow and slow, and it is in all our interests to ensure that it remains so. At the same time, the oil industry in Aberdeen is changing its profile, as it has been doing for some years. All of us who represent the area, including the right hon. Gentleman, travel between Aberdeen and London every week, usually by plane, and we see people who travel to every part of the globe. The subsea industry, which is based mainly in Aberdeen but has important centres in Teesside and Southampton, now wins about 60% of worldwide contracts in subsea technology. It is playing a huge part in the rescue operation in the gulf of Mexico. That is the future: exporting our technology and skills, but maintaining our important pace in the North sea.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): Before my hon. Friend gets into the main body of his remarks, and given that he has just touched on the gulf of Mexico disaster, does he share my concern about the information that has come out in written answers—not from the Minister's Department, but from Work and Pensions Minister with responsibility for the Health and Safety Executive—that Transocean, the operators of the rig at the heart of the gulf of Mexico disaster, has seen some 100 safety incidents in the past three years on its 10 UK rigs? Does not that indicate that the health and safety inspection of those 10 rigs in the UK needs to be speeded up?

Mr Doran: My hon. Friend, while representing the well-known oil province of Harrow West, has done a huge amount of important work in this area. He makes a valuable point, and I will say a little about the problems in the drilling industry because it is the last area in the North sea with a frontier mentality. The rest of the industry has made great progress, but I am afraid that the drillers are still in John Wayne territory.

Most of the key economic points and very strong regional points have already been made by the right hon. Member for Gordon, but as this is an industry that both he and I have spent much of our parliamentary life working with, examining and considering, there are three crucial areas of infrastructure that I want to discuss: the kit that is in the North sea—the platforms, the pipelines, the wells and the vessels that service the industry—the people in the industry, because they are a key part of the infrastructure; and the Government at every level. I shall try not to duplicate any of the right hon. Gentleman's points, but if I do, I hope that they will reinforce what he said.

As I said, we have a huge amount of infrastructure in the North sea. Most of it is ageing and needs to be carefully maintained, but that does not always happen. One of the key problems in the North sea oil and gas industry is the fact that the price of the product is based on worldwide prices and we have no control over it. I remember a time in the mid-1980s when the price dropped almost overnight from $32 a barrel to $8. The North sea industry was devastated. Virtually every job and every piece of investment stopped, and the price stayed low for quite a while. I have always put the fact that I was elected as a Labour MP in a constituency that had always, apart from one occasion in the 1960s, been a Conservative seat down to the fact that the then Government were being punished for that collapse in the oil prices. It had a huge impact, as some 50,000 jobs were lost overnight.

The problems continued into the late 1980s and early 1990s, and then we saw a price rise. In the late 1990s, however, there was another drop in the price. Recently, the price rocketed, going up to slightly more than $100 a barrel two or three years ago. We have now achieved a degree of stability—and tax stability, I hope—with the price standing at about $75 a barrel, which is good for the industry. The money should be in place to ensure that assets are properly maintained.

I raise that point because at certain points over the life of the industry—the last 40-odd years—there were times when the infrastructure was not properly maintained. The classic case is the Piper Alpha disaster, which had its 22nd anniversary last week. If we consider the history of the particular platform that led to the disaster, which was well spelled out in the Cullen report, it is quite clear that a lack of maintenance was one of the key issues. There was a whole host of issues including a water deluge system in which none of the valves worked

[Mr Doran]

because they had become clogged up with gunge, and a lack of a proper permit-to-work system. Once the people in the oil industry got over the shock that a disaster on that scale could happen on the platforms that they had built, they said that it could have happened to any one of at least a dozen platforms—many platforms were in the same condition. However, good things come out of every disaster, and the good thing in this case was that the Cullen report established a safety system that is now the template for safety in not just the oil and gas industry, but the rest of industry. It set a goal-setting system rather than a tick-box system, and we have made progress.

It is important to record that over the past four or five years, there have been some difficulties. I have spoken both in this Chamber and in the main Chamber about the KP3 report, which was an attempt by the Health and Safety Executive offshore division to look at the integrity of our assets in the North sea. The report found that the industry was wanting. It identified some very serious problems to which the industry was forced to respond. I will not go through the detail of the report now, as I have done so before and it is not necessary to do so again now, but it is important to record that the industry responded well, as the review that was carried out a couple of years later showed.

There are still difficulties, however. The HSE recently released figures showing that a significant number of enforcement notices were still being issued. A total of 446 safety regulations have been broken by more than 30 companies since 2006. Some of those breaches of safety regulations were minor, but I know that some were not so minor.

The period covered by those figures includes the period when the KP3 report was being put together. Nevertheless, we need to keep underlining and reinforcing the importance of the safety regime to ensure that the industry continues to maintain our assets in the North sea. The health and safety of the work force is crucial. We saw the devastating effect of the Piper Alpha disaster on not only the companies involved, but the whole industry. The same thing is now happening in the gulf of Mexico. There is nothing quite as expensive as an accident. It is extremely important that we remember that maintenance is cheap compared with the cost of an accident.

There are huge opportunities in the industry. The right hon. Member for Gordon rightly talked about the spin-off benefits for the renewables industry, and it is important that we recognise the value of those benefits. I do not think that a renewables industry on the scale that we need will be possible without strong Government support, so I hope that this Government will continue to give the support that was provided by the previous Government. The same goes for other sectors related to the North sea sector, such as carbon capture and storage. The production of a commercial working product in that sector will also require significant Government support.

In addition, we have the huge opportunity of the west of Shetland project—in fact, there is not one such project but a number of projects. Those projects will become much more feasible because of the support that was given through the tax system by the previous Government to the Laggan project, which I hope the current Government will continue. The pipeline that will be built as part of the project will be the key part of the infrastructure that will make many other projects possible, so it is important that Government support continues.

I want to move on to discuss the people involved in the industry. The work force in the North sea are highly skilled, but there are still huge skills shortages. The work force is also ageing. Although it took the industry a long time, it now has an established oil and gas training school: the offshore petroleum industry training organisation based in Portlethen, which is just south of Aberdeen. OPITO has probably become the benchmark for safety regimes, training and safety, and other related skills in the whole world. There is not an oil regime in the world with which OPITO is not involved. It sets safety standards and provides the support that is necessary for companies, particularly those operating in the more remote parts of the world such as the west of Africa and Asia, to have proper, modern safety systems, as well as other systems that support the industry.

We must remember that the North sea is a very dangerous area. While the right hon. Member for Gordon was speaking, I quickly drew up a list of disasters—and they were disasters—in the North sea: the Alexander Kielland disaster; the Piper Alpha disaster; the Ocean Odyssey disaster; the Brent Alpha disaster; and the helicopter disasters, including the Chinook disaster, the Cormorant disaster, the Morecambe bay helicopter crash and the Super Puma disaster in April 2009. They caused huge loss of life across the board.

Safety has improved immeasurably since the Piper Alpha disaster, however, and the industry has made a huge improvement in safety, including by working through its agency, Step Change. Recently, it has also recognised the importance of the work force.

Malcolm Bruce: Does the hon. Gentleman acknowledge that one of the reductions in safety has been due to greater automation of offshore activity? That greater automation has meant that more of the industry's activity is supported onshore, but that has actually increased the pressure on the onshore infrastructure for the very same reason.

Mr Doran: The right hon. Gentleman is absolutely right. Nevertheless, there are many reasons for the improvements in safety that have occurred. I think that the most important reason has been the dramatic change in the industry's attitude. We must constantly be vigilant, which is why we depend on the HSE. Its KP3 report was a wake-up call. The safety of working on platforms has certainly improved dramatically, although there are still issues about helicopters.

The oil and gas industry has realised the importance of engagement with the work force. A key part of the HSE's review of the KP3 report was a careful examination of worker involvement in the North sea oil and gas industry, which involved working with both the industry and the unions.

A huge step forward was taken when the industry set up its helicopter task group to look at the Super Puma helicopter disaster 15 months ago. Three trade union officials from Aberdeen were involved in that task group, which examined a lot more than the accident itself. It

looked at the causes of the accident, worked out what the problems were, reached conclusions and made recommendations. In addition, it looked at issues that had concerned people such as the right hon. Member for Gordon and me for years.

For example, there was concern about the lack of radar in the North sea oil and gas industry. When the Minister was about to make an offshore trip—I know that it was not his first such trip—I told him one of my scary stories about trying to get on to an oil platform in very thick fog in the middle of the North sea. It took us three attempts to get on to the platform. That was not the best experience of my life, but the people who work in the North sea have to make such trips every week when they go out to the platforms and then come back in. However, progress will be made, such as by providing radar and improving the lighting on platforms. The helicopter task group went much further than looking only at the Super Puma disaster and I think that everybody in the industry welcomed the report that it produced. In addition, the Oil Spill Prevention and Response Advisory Group has been set up to tackle the consequences for the North Sea, if there are any, of an oil spill similar to the one that is happening now in the gulf of Mexico. The trade unions are involved in OSPRAG, too.

The Minister cheered me up immensely two or three weeks ago after we had heard the statement from the Secretary of State for Energy and Climate Change on the oil spill in the gulf of Mexico and the action that he was taking in relation to the North sea. After that statement, the Minister said to me, "I'm going up to Aberdeen next week and I'd like to meet the trade unions." I must say that after the 20-odd years—with a slight break in the middle—that I have been a Member of Parliament, a Conservative Minister saying such a thing shows that there has been a change everywhere. If this Government recognise the importance of the trade unions, particularly in the area of North sea safety, I welcome that wholeheartedly. I know that the Minister had a good meeting with trade union officials in Aberdeen.

The other key part of the infrastructure is the Government. I have seen a massive change in the Government's approach to the industry. When I was first elected to Parliament in 1987, there was a Department of Energy, which was responsible for both production and safety. However, it was quite clear that the Department did not work, and I must say that we did not need the Piper Alpha disaster to tell us that, although it underlined the fact in spades. Of course, one of the key recommendations of Lord Cullen's inquiry into the Piper Alpha disaster was that responsibility for checking safety should be passed to the HSE.

At that time, I was appointed to the Front Bench as part of the then shadow Energy team with responsibility for the oil and gas industry. I spent four years shadowing two Ministers: Peter Morrison and Colin Moynihan. Given that and subsequent experience, I have no doubt that the Government in those days saw the industry as a cash cow for raising money, which was one reason why the focus on safety was not as strong as it should have been.

When my party was elected to government in 1997, I do not think that the position changed—the attitude was the same. I remember many battles with Treasury Ministers in 1997 and 1998 when they were reviewing oil taxation and seriously considering increasing the tax on the oil industry. A windfall tax had been levied on the banks, which some of us cheered, and similar measures were being proposed for the oil industry. Those of us who were involved in that campaign recognised that the industry had gone through a sustained period of low prices and that increasing taxes would be the wrong thing to do.

Thankfully, the then Chancellor, who was one of the most dyed-in-the-wool proponents of the tax—I remember a difficult meeting with him—ultimately accepted that we were right, and a Government review decided that the tax regime should not be changed. The tax was increased when prices improved and again, if I remember correctly, during the next Parliament. However, the industry's position was much more secure by that time, and it was recognised during the 1990s that taking money out of the North sea was wrong.

One result of that, as the right hon. Member for Gordon mentioned, was that the Revenue became more involved in the oil industry task group pilot. That was a fundamental change, because at the time the Treasury saw itself as completely separate from the industry. It had some knowledge of how the industry operated, but did not concern itself with the day-to-day stuff. Sending an observer from Her Majesty's Revenue and Customs to the pilot meetings fundamentally changed the Government's attitude to the oil and gas industry. It is now accepted that it is crucial to encourage inward investment in the North sea and to consider how the oil companies spend their money. The right hon. Gentleman rightly discussed the significant sums that will, we hope, be invested this year and next year in the North sea, and the revenue benefit to the Government as a result of that investment.

It is crucial that we continue to bring in new blood. The right hon. Gentleman mentioned Apache, which had never been in the North sea, having concentrated mainly on America and the middle east. Apache came over and bought the massive Forties field. It made it work and is now a major player. When BP was not prepared to invest any more, Apache made things work.

Another crucial thing that the previous Government did was to improve tax reliefs for new entrants to drilling. Before that, drilling, exploration and appraisal costs were allowable only against previous profits. If a company had no previous profits because it had not been in the North sea, it got no tax relief.

I hope that the important changes that have been made, mainly in the past 10 years, will be carried forward by this Government. It is important that we continue to encourage investment in infrastructure and in new fields, although they tend to be smaller. We must also ensure that we encourage new entrants to the North sea, and the tax regime is fundamental in that respect.

I will briefly raise two burning issues that do not get a lot of attention. The first is that we still have a skills problem. A major factor is that we depend hugely on immigrant labour in the North sea. In the main, such immigrants are highly skilled. Two or three years ago, I spoke to a major company that had brought 1,500 skilled engineers over from the Philippines. They had not come as cheap labour; they were essential to the company's summer maintenance programme. Agreements were reached with the union to pay them the rate for the job, and after it was completed, they went back to

[Mr Doran]

the Philippines to do their normal jobs. However, I am hearing about more and more problems in my surgery, although they have nothing to do with the new Government as they have been building up for some years. The smaller companies in the supply chain are finding it particularly difficult to bring people in, while the universities have the same problem. Two universities now operate worldwide to bring in students, particularly from Africa—the students take a first degree in Nigeria or Ghana and then come to Aberdeen to do their master's degree—but now even Government-sponsored students are finding it difficult to enter the country. That is a serious problem.

Finally—I have probably spoken for a lot longer than I should have—although the Department of Energy and Climate Change is now responsible for the energy industry, who looks after the oil and gas industry as a business? There is a sense in the industry that it has been abandoned by the Department for Business, Innovation and Skills, previously the Department of Trade and Industry, and that the Government are no longer focusing on the industry as a business. Will the Minister say a little about that that important issue, which relates to not the industry's place in the energy industry, but its status as a business like any other?

Mr Mike Hancock (in the Chair): As no other Back Bencher wishes to catch my eye before I invite the Front Benchers to respond, I call Emily Thornberry.

10.26 am

Emily Thornberry (Islington South and Finsbury) (Lab): It is a pleasure to serve under your chairmanship, Mr Hancock, and to listen to a debate by Members of Parliament who clearly know a great deal about the industry. That includes the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith), the right hon. Member for Gordon (Malcolm Bruce), whom I congratulate on securing this debate, and my hon. Friends the Members for Aberdeen South (Miss Begg), for Aberdeen North (Mr Doran) and for Harrow West (Mr Thomas).

It is vital that the Government give a clear direction to the offshore industries. Given the huge amounts of capital investment required and the long time frames within which the industries work, they need uncertainty like they need a hole in the head. Although I am sure that many people were greatly heartened by the Minister's assertion last week that the Government will provide leadership on such issues, I suspect that the fears likely to have been inspired by the coalition agreement have not been allayed sufficiently. I remind him that the agreement says specifically that the parties share a conviction that the days of big government are over. These are exactly the circumstances in which we need big government to give direction. Since the coalition was formed, a number of uncertainties have arisen in relation to infrastructure for the offshore industry. In my contribution, I hope to clear up some of those uncertainties by asking several questions.

The economic downturn hurt our oil and gas industry, which already faced high costs, low prices and a lack of cheap credit. In January this year, my right hon. Friend the Member for Edinburgh South West (Mr Darling) extended tax relief worth up to £160 million a field to fields west of Shetland. His announcement came at the same time as the announcement of the 26th offshore oil and gas licensing round. I am pleased that the UK North sea oil industry is once again attracting investment, as we heard from hon. Members' contributions. That is reflected in a great increase in the number of bids made during the licensing round.

In its report last summer, the Select Committee on Energy and Climate Change highlighted the difficulties in accessing infrastructure that some smaller companies experience. The difficulties came to a head when Endeavour International sought arbitration from the Secretary of State regarding the charges levied by Nexen for access to the gas transportation infrastructure. What progress has the Department of Energy and Climate Change made in finding a more equitable solution to that problem?

After the explosion of the Piper Alpha rig in the North sea in 1988, which resulted in 167 fatalities, the UK's regulatory regime was tightened. I listened with great interest to the highly knowledgeable contribution of my hon. Friend the Member for Aberdeen North and his account of the day-to-day realities of working in the North sea. I was also greatly interested to hear what a contribution the trade union movement has made to ensuring the safety of the work force.

Since the disasters, licensing and health and safety have been separated in the UK. In light of the Deepwater Horizon spill, I understand that the US will now adopt a similar model. Despite our already robust regulatory regime, the disaster in the gulf of Mexico must give us pause for thought in the development of deep waters off the west coast of Shetland. I welcome the Secretary of State's decision to increase inspections, which seems sensible. Will the Minister tell us when those increased inspections are likely to commence and will he explain the apparent contradiction between an increased regulatory regime and what was promised by his manifesto? The Conservative party promised to streamline government in its manifesto. I would welcome his comments on the following Conservative party quote:

"We will offer exploration companies a simpler, clearer and more transparent licensing process."

That is question No. 3.

The UK is the leader in offshore wind capacity. Given that only a few countries have more than 3 GW of offshore wind power, the amount of wind power we have is amazing. The annual amount of offshore wind power generated will soon explode, which shows the huge increase in the proportion of wind in our energy mix. The development of the offshore wind industry has been made possible by the leadership and vision of the previous Government. I obviously hope that such leadership and vision will continue under the new Government.

The contribution of public money and the renewables obligation have ensured the fast development of the industry. In the 2009 Budget, £50 million of funding was made available for the testing of offshore wind facilities and £15 million was provided to the new renewable energy centre in Northumberland to test wind turbine blades. Just this month, the Secretary of State reconfirmed the previous Government's decision to grant £5 million to Siemens Wind Power. In the March 2010 Budget, the Labour Government also announced a £60 million competition to help ports to

develop, to which the right hon. Member for Gordon referred. We wanted ports to have the capacity to help to drag out to sea massive, heavy windmill towers for the turbines to sit on. The amount of money offered might not have been large, but it was of sufficient size to be an important signal, and General Electric and Siemens quickly declared that they would be investing £200 million in the UK's offshore wind industry. On 15 June, the Minister announced that the ports competition was under review. Will he commit to the level of investment proposed by Labour or is he prepared to risk driving away such investment?

In the case of offshore wind generation, a loss of investor confidence would be an absolute tragedy because, according to the Select Committee on Energy and Climate Change, it is the only low-carbon technology that is ready for large-scale deployment now. Perhaps another way of asking question four is this: what plans does the Minister have for offshore wind infrastructure and for port development? In the energy security debate last week, the Minister was kind enough to agree that the renewables obligation has helped to expand the UK's offshore wind capacity. Will the Minister commit himself today to continuing with our commitment to renewables obligation certificates?

I would also like the Minister's help with the offshore grid and how that will develop, because it is particularly important to the infrastructure for offshore industry. The offshore wind industry and network industry are awaiting Ofgem's decision about what the offshore transmission regime will look like. I understand that the Minister's party has a different emphasis in terms of how the competitive tenders should be administered. I certainly hope that there will be no undue delay while the coalition decides what to do. An announcement on the offshore grid was expected at the end of June. Does the Minister know what the hold-up is, and when will the industry know what will happen to such a vital part of its infrastructure?

Of course, the offshore grid connects to the onshore grid. We hope that the onshore grid will become a smart grid, which we hope will be informed by smart meters. I would like to ask the Minister a number of questions about smart meters and his ambition to put a smart meter in every home by 2017—not 2016 as promised in the manifesto. I have what I would call a number of sub-questions to question six. How does the Minister expect to install smart meters in every home in the country? How many staff will be required and, if he wants all smart meters to be put in by 2017, when is the process likely to start? Given that the Digital Britain programme will ensure that all hard-to-reach homes are linked by 2012, will he link in that programme with the smart meters installation programme?

Mr Mike Hancock (in the Chair): Order. We are drifting slightly from the subject of the debate .

Emily Thornberry: The thrust of my remarks is that there are a number of questions about this aspect of Government policy. My biggest and most important point is that we could clarify many of those questions if the Government were to publish their energy national policy statement. I understand that a consultation on that statement finished in February. Is the statement likely to be radically different from the one that was to be published by the previous Government? Is that the reason for the delay or is there another reason why there might be some delay in the statement being published? The industry needs to have some certainty about what has been happening. Perhaps the Minister is reconsidering the Lib Dem manifesto.

Mr Mike Hancock (in the Chair): Order. That is not the Minister's responsibility, is it? We need to stick to the subject of infrastructure support for the offshore energy industry. If the hon. Lady confined her comments to that, I would be extraordinarily grateful.

Emily Thornberry: Is the Minister considering making a commitment to investing £400 million in refurbishing the shipyards in the north of England and Scotland, so that they can manufacture wind turbines and marine renewables? I understand that that is a commitment of one of the parties in the coalition. If there is a hold-up in publishing the statement, perhaps it is because he is reconsidering that aspect of policy.

10.36 am

The Minister of State, Department of Energy and Climate Change (Charles Hendry): It is a pleasure to serve under your chairmanship this morning. Mr Hancock. We have had an extremely valuable debate. I congratulate my right hon. Friend the Member for Gordon (Malcolm Bruce) on securing it, raising a wide range of issues and bringing his expertise to the debate. The hon. Member for Aberdeen North (Mr Doran) also brought his expertise to the discussion. I hope that I can give further reassurance and encouragement to them that this is not a partisan issue. I want to work on the subject using the relevant expertise wherever it is found—on both sides of the House and all sides of the industry—to ensure that we can achieve the best possible outcome for this crucial sector of our economy.

My right hon. Friend has rightly understood my reaction to some of his points, particularly those about Scottish infrastructure issues. He will know from the respect agenda that we are committed to working closely with the Scottish Government and Executive to ensure that we do not seek to influence their decisions on those issues, which are devolved. I also reassure him that we are very keen indeed to have a holistic approach to those matters. I have already had an initial discussion with the First Minister and I hope to have a further conversation with him in the next few weeks about how we can most constructively work together in those areas.

That is what the industry is looking for: a seamless Government approach across Departments and different bodies. We will try to ensure that we bring the best endeavours and approach that we possibly can to securing further investment in the sector. From my time as Opposition spokesman on these matters, I hope I have managed to gain some understanding of the issues facing the industry. I assure hon. Members again that I intend to be a regular visitor to Aberdeen. If my right hon. Friend or any of his hon. colleagues feel at any point that I am not talking to the right sections of the industry, I ask him to let me know. I want to ensure that I have as comprehensive a grasp as possible of the issues

[Charles Hendry]

involved and, as I say, I want to work constructively with those who have great expertise from working in this area.

In initiating the debate, my right hon. Friend spoke about how crucial the sector is to the whole of the UK economy. Although indigenous production is declining, our oil and gas reserves remain a key element of our energy mix. On the reassurance that the hon. Member for Aberdeen North was looking for, there are a number of key pillars of energy policy without which we cannot have energy security—for example, the commitment to the North sea and the development of the UK continental shelf. Nuclear without subsidy is also in that mix, as are coal with carbon capture and renewables.

All those factors are part of a balanced energy policy. I certainly hope to reassure my right hon. Friend that there is every intention of identifying the issues that will help to drive forward investment in the North sea. We will do what is necessary to bring the skills and investment to Britain, because I am very much aware that the companies that are looking to invest are overwhelmingly international. When they consider international opportunities, there is no predisposition for them to come to the United Kingdom. We have to make the strongest possible case for why they should come here instead of taking the many other opportunities that exist around the world.

As my right hon. Friend said, 350,000 jobs in the UK depend on the industry, and a further 100,000 in the supply chain's thriving export business, with an annual expenditure of about £12 billion. The industry, therefore, makes an extraordinary contribution to the economy. We see no dilemma, however, in the absolute necessity of moving to a low-carbon economy and the desire to get the best out of our indigenous hydrocarbon reserves. That is essential to our energy security and our national prosperity, and particularly to the prosperity of the north-east of Scotland. We will, therefore, work closely with the industry to see what is necessary to encourage further investment in exploration, development and production, while maintaining high standards of management and minimising environmental impacts.

Over recent years, an important role has been played by PILOT, the organisation set up to maintain the dialogue between Government and industry in this area. It has put in place many initiatives to help us to extend the life of the basin, and has significantly contributed to the security of the UK's energy supply and balance of payments, but we are now looking at how to take that relationship forward. I want to look more at a road map for the future, rather than at setting targets. I am nervous about targets because they tend to be set sufficiently far ahead that nobody is accountable for how they are delivered. I would therefore rather have a more specific road map for what we are jointly expected to do as industry and Government, to try to make this an attractive environment.

I am also keen to broaden involvement in PILOT, to include people from all aspects of the industry. The hon. Member for Aberdeen North talked about the subsea sector, which is an absolutely critical part of the Aberdeen and north-east Scotland economy and an absolutely wonderful example of British engineering and skills providing incredible global leadership in many of these areas. I want to ensure, therefore, that PILOT contains the full range of expertise that is there, and I am also considering how we can increase the regularity of the meetings. As they are currently six months apart, I have a slight tendency to think that there can be a gap before too much is done, and a panic before the next meeting. I want to get a rather more established flow of activity. The guiding principle has to be trying to remove barriers to investment. Where we see barriers to investment, we—with the industry and my parliamentary colleagues—will actively try to remove those barriers, to make this a very attractive place in which to invest.

Many things were done under the previous Government, and historically, to make this an attractive area. We have flexibility in our licensing system to attract the widest possible range of players. The hon. Member for Islington South and Finsbury (Emily Thornberry) asked about the commitment that we made about licensing in our manifesto. That was nothing to do with safety issues. It responded to a concern within the industry about how long the licensing process takes, and considers whether there are ways, taking account of the safety and environmental issues, in which we can tell investors rather more rapidly than at present what the outcome of each licensing regime will be. It is certainly encouraging that the latest round received the greatest number of applications since the first round in 1964, and we hope to be in a position to award licences later this year.

The fallow initiative, put in place by the Department of Energy and Climate Change, continues to encourage companies that are not actively working on blocks or licences to relinquish them so that other companies can be given opportunities to exploit them. To ensure maximum production efficiency from North sea fields, the Department has a stewardship process, which is an annual review in which DECC works with the fields' owners and looks at individual field performance with the aim of maximising economic recovery and enhancing production levels wherever possible.

We are also considering the whole issue of infrastructure, which has come through very strongly in the contributions to the debate. It is a key part of the coalition agreement. We want to work to improve on that, and we have said that we will consider legislating in that area. I would always prefer that we work through voluntary agreements wherever we can, but we have to recognise that the voluntary agreements in this area involve one party that has overwhelming strength because it owns the infrastructure and essentially has a monopolistic position, and a much smaller company that wishes to have access. We therefore need to find a better way of making that voluntary arrangement work, as I think it often does in other countries, or we will consider taking extra powers to deliver the greater access to the infrastructure that we think will be necessary.

It is absolutely clear that many of the fields now being looked at are more marginal ones, and therefore we will not necessarily be able to attract the huge international oil companies but rather smaller specialist companies, which nevertheless have fantastic records of technological expertise and safety. We therefore have to ensure that the regime is appropriate for those smaller companies.

Several questions have been asked about the fiscal situation. As my right hon. Friend the Member for Gordon will be aware, those are always matters for the

Treasury, which rightly guards its leadership on such issues very carefully. I can certainly tell him, however, that there have already between discussions between the Prime Minister, the Chancellor and the Scottish Executive about the fossil fuel levy. We understand the requests that there should be a higher ability to draw down funding from that levy and the Treasury is considering the issues with an open mind.

Malcolm Bruce: Allowing for the respect agenda, does the Minister not agree that it would be beneficial, before any agreement were concluded, to have a clear understanding, at least in broad terms, of how the money was likely to be used? To put it at its crudest, the purpose would not be fulfilled if the money were simply to disappear into the block and not benefit the support for the offshore renewables industry in the north-east of Scotland.

Charles Hendry: My understanding is that that is the case that has been put to the Treasury by the Scottish Executive, and that they want access to more of that funding to facilitate such investment. Clearly, these are details that have to be sorted out, but I am very encouraged indeed that the Treasury is keen to approach that with an open mind.

Mr Doran: My understanding is that the money is not passed to the Scottish Executive because they have consistently failed to put forward projects on which to spend the money.

Charles Hendry: As I say, there is much devil in the detail in these matters and the Treasury is taking forward the discussions. I am, however, encouraged by the approach taken in general.

About 45% of all the UK's oil and gas-related jobs are in Scotland, and many, as we have heard, are in Aberdeen. I know from my own experience how committed that work force is. I was there most recently just a few weeks ago, and went through the helicopter training exercise. They decided that they should not yet dunk me in the water, that perhaps I was too new a Minister. I am not sure that any Minister has gone through the dunking process, and I have made a rather rash commitment to be the first. It is incredibly important that as policy makers we understand how the industry addresses these issues, and, as far as we are concerned, there should be no short cuts on safety. The visit brought home the great measures that have been put in place since the helicopter tragedies, to ensure that we have the toughest safety standards in the helicopter transportation that operates there. I went out to the Beryl platform, which I was particularly keen to see because it is an old platform still operated by its original operators, but drilling again for new reserves. It is a very good example of how, after some decades of operation, there is still much life and activity.

We travelled nearly 200 miles from Aberdeen airport to the rig, passing over two structures that had human life on them, and the very often incredible isolation and the bravery of the people who work there also came home to me very clearly. I travelled out there on a nice June day, when there was a little ripple in the water, and I cannot imagine what it would be like in a cold February gale. The landing spot for the helicopter looked small enough in those conditions. The hon. Member for Aberdeen North talked about making several attempts to land when he went out there some time ago. It really brings home to us the courage, the expertise and the global skill set that we have in the North sea, something to which we should always pay tribute.

I am certainly always willing to talk to the trade unions on these matters. Safety is not an issue for industry versus workers. There is a great recognition that for the industry, it is absolutely critical for everybody, every business and every organisation working with it. I will always be keen to find reasons to talk to the people who represent that work force.

Our approach to North sea regulation is among the most robust in the world, and our record there is strong, but the tragedy in the gulf of Mexico has to give us pause for thought. As we move into deeper waters west of Scotland, there is every reason to increase our vigilance. We have announced that we will double the number of annual inspections and increase by one half the number of inspectors. There is the inevitable time span before they are recruited, but the process is already under way.

Right hon. and hon. Members should be in no doubt that, if there is evidence from the reviews of the gulf of Mexico tragedy that requires us again to improve security and health and safety measures, we will do so. We are determined that the safety regime in the North sea will be the toughest operating anywhere. I am pleased that we will do that in partnership with the industry. The Oil Spill Prevention and Response Advisory Group is an industry-led initiative that does critical work in looking at these issues, just as it looked at the measures necessary to improve safety after the tragedies involving helicopters. We are very much in debt to it for its leadership in ensuring that we introduce measures in this area. Again, I welcome the role that the trade unions play in ensuring that workers' voices are heard and represented.

There has been discussion about other ways in which the North sea can be a global centre for international excellence in energy infrastructure. Foremost among those will be offshore wind. We recognise that the United Kingdom is now a global leader in offshore wind, but much needs to be done if we are to meet the targets that have been set. The aspirations are high, and a great deal more has to happen if we are to get the right investment and infrastructure in place to achieve them. Some £15 billion of new investment is required in transmission assets to connect offshore wind farms to the onshore grid.

I am determined that we roll out the programme in a more structured way. Again, the Government want an approach that focuses on the problems, so we will look at where there are barriers to investment. We see working constructively and jointly with the industry as the best way to get around those issues.

My right hon. Friend spoke about the need for more ships, which are critical to this work. With the number of ships available in the world at present, we simply cannot put in place the number of turbines necessary to meet the aspirations. Grid infrastructure and connectivity will be fundamental to that.

The hon. Member for Islington South and Finsbury asked why the announcement has been delayed. There was every opportunity for the previous Government to make an announcement. Not only was there a little

[Charles Hendry]

letter in a drawer which said that there was no money left, but there was a big pile of paper labelled, "Too difficult to think about." There is a range of complexities, and different views from different sectors of the industry. We have been actively looking at the full range of grid and transmission issues with a view to announcing a decision in the near future. We absolutely understand that these are critical issues for the industry, and we are determined to give early clarity.

Emily Thornberry: I am sure that the Minister is aware that a date at the end of June was set for an announcement on the offshore grid. Why the delay, and when will we get an announcement?

Charles Hendry: We are trying to ensure that we have cohesion across the whole range of issues relating to the grid, including the offshore transmission system, transmission access and transmission charging, which is particularly critical as far as Scotland is concerned. I want to ensure that we have a complete response to all the issues involved as we try to move forward in this area. The hon. Lady will not have to wait much longer. I understand that the industry attaches a great deal of importance to the sector, and this is very much at the top of the list of things that we are seeking to resolve.

Questions were asked about the ports project. It has not been suspended or cancelled, but, within the framework of the comprehensive spending review, we are trying to ensure that all such major projects are handled in the most sensible and constructive way, to deliver the best response and to make the best use of taxpayers' money. We are committed to taking the work forward, but it will be handled within the network of the comprehensive spending review.

We will also be looking at how we take forward work on carbon capture and storage, which offers many partnership opportunities. Some of the most extraordinary academic work on CCS in the world is being carried out in Scottish universities. People such as Professor Jon Gibbins and Professor Stuart Hazeldine at the university of Edinburgh are doing wonderful work to ensure that we lead the world in that technology. I want to work closely with them in ensuring that we make the best and strongest case for Britain in that respect.

There was a question about the working relationship with the Crown Estate. We believe that the regime is working at present. There is clearly a difference between the role of the Crown Estate as the landlord and the role of the Government who, as the regulator, are able to issue licences. If there is evidence that the regime is not working, we will certainly look at how the matter can be addressed.

The hon. Member for Islington South and Finsbury asked about our continuing commitment to renewables obligation certificates. We have said that we are looking at introducing feed-in tariffs. We indicated prior to the election that there is a strong case for using feed-in tariffs for the third round of offshore wind because investors have told us that that would be more attractive. We have also been told that feed-in tariffs would be more attractive for marine technologies, so we are looking at the most appropriate balance between the renewables obligation and feed-in tariffs to see how we can best stimulate investment. At the core of all that we are doing is a desire to make this the most attractive place to invest in energy infrastructure, and that applies to oil and gas, nuclear, coal with carbon capture and renewables.

The debate has touched on many critical issues, and there is an overwhelming sense on both sides of the House that the industry will continue to make an enormous contribution to the British economy. The North sea sector is sometimes seen as an old industry, but it is, in fact, a ground-breaking industry in the development and application of technology. Probably only space travel has the same level of involvement.

Let us look at what is happening in the gulf of Mexico at present, where BP is drilling down 18,000 feet below the surface of the water, through perhaps 13,000 feet of rock. It intends to intersect a pipe that is just a few inches across in order to stop the flow of oil from the well. We should pay tribute to it for the work that it is doing and the cap that it appears to be putting in place successfully. The technology involved is extraordinary.

In all our debates about the industry, we should see it as an industry of the future which has an extraordinarily important role to play. I can say to right hon. and hon. Members who have spoken this morning that, even though I may be a Conservative Member of Parliament from the south-east of England, I have an absolute commitment to being a champion of the industry. I want to visit Aberdeen regularly and know about all aspects of the industry. I want to know the industry and the trade union sides, and to work with both of them to deliver the best possible outcomes for investment. We have an absolute national interest in ensuring that we secure the best from our indigenous resources.

We have had an outstanding debate this morning, which has raised many critical issues. I look forward to working closely over the coming months and years with right hon. and hon. Members, who have great expertise in the sector, and with the companies and people in their constituencies who work in this sector and deliver so much in terms of our energy security.

Mr Mike Hancock (in the Chair): Thank you, Minister. I thank all those Members who have taken part in the debate for the courtesy that they have shown to the Chair and for their indulgence of each other. I wish you much luck with your dunking exercise, Mr Hendry. I hope that the safety procedures are all in place when you do it, by the way. I am sure that the whole House would regret any mishap. Do not forget the wet suit.

As we are now all in place, we can move on to the next debate. Before we do so, several Members have indicated that they want to take part. I want to try to get as many in as possible, so I ask that interventions be short and to the point, and that replies be quick as well. I ask for the indulgence of the Minister and the Opposition spokesman: could they give me an indication at some stage of how long they will want to speak so that I can ensure that we can get in as many people as possible?

Housing Benefit

10.59 am

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): As ever, it is a pleasure to server under your chairmanship, Mr Hancock.

I am mindful that a number of colleagues have approached me to say that they are keen to speak in the debate—that is an indication of how serious the Government's recent proposals are—so I do not propose to go into detailed background about housing benefit. The Minister, along with my hon. Friend the Member for Westminster North (Ms Buck), is one of the most expert Members of Parliament on this subject. None of us need a history lesson on housing benefit, and I hope that the Minister will focus on answering the serious points that we all need to raise.

The cap on housing benefit levels that was announced in the Budget is devastating for London and for Londoners. Only four London boroughs are completely unaffected. I do not have time to go into some important general issues to do with the provision of affordable housing, so I will instead focus on the impacts in relation to housing benefit in Hackney and more widely.

In addition to the cap on benefit levels, we will see an impact due to the local housing allowance level being limited to the 30th percentile of a local reference rent. There will also be a devastating impact due to the perverse proposal to impose a 10% cut in benefit for those who are unemployed for more than a year, which will be particularly hard for young people aged 18 to 24, who are among those hit by the highest levels of unemployment. That is a particular concern of organisations such as Catch22, which is a charity that works with young people.

More than 650,000 homes are rented in the private sector in London, so this subject touches the lives of many people. More than a third of those homes are rented to families who receive the local housing allowance. High rents in London are not a new phenomenon and are driven largely by a housing shortage. Figures provided by London Councils show that when the local housing allowance was introduced in 2008, the rent charge for three-bedroom properties in central London was £700, which is twice the level of the proposed cap. Looking further back to 2005, the then local reference rent, which excluded the top end of the market, recorded the rental market as follows: £435 a week for two-bedroom properties; £546 a week for three-bedroom properties; and £625 a week for four-bedroom properties, all of which are above the cap recently proposed—some seven years later. It seems that the Government are making decisions without looking at any evidence or at history. The lack of affordable alternatives in London meant that the previous Government's desire to achieve a reduction in rents through the introduction of the local housing allowance was not fulfilled, because local housing allowance rates have risen as they chase the ever-increasing level of rent in the wider market.

According to a parliamentary answer, 14,000 households will be affected by the changes. The Minister has acknowledged the impact. We need him to tell us what measures will ameliorate those changes, if the Government go ahead with them. I should like the Minister to explain that figure and to say how the private rented housing market will be able to cope with the likely upheaval that it suggests. In addition, he needs to address the impact on families at a human level.

There is an assumption that people will be able to move to lower-price properties, but the pace and scale of change will present a challenge in that regard, even without the huge impact that there will be on children and families, and on low-paid workers. It is important to ask where that low-rent property will be available. It will not be available in my constituency. Will my constituents be forced to move to the borough of Barking and Dagenham, which is no doubt delightful, but not convenient for work and schools for my constituents with Hackney connections? The impact, including the social impact, on those few boroughs that will be unaffected could be huge.

For those listening to this debate who are not aware of the situation or are not from London, I point out that all central London boroughs are affected, including that covered by my constituency and that of my hon. Friend the Member for Hackney North and Stoke Newington (Ms Abbott)—the whole of Hackney—as well as Barnet, Brent, Ealing, Haringey, Hounslow, Lambeth, Merton, Richmond and Wandsworth. The changes will have a particular impact in London.

It is interesting that the Government have professed their intention to get rid of the Minister for London. That is all very well, but I believe that there is a spokesman—or spokesperson—for London. However, I wonder whether the hon. Member for Wimbledon (Stephen Hammond) has been asleep on the job because it seems that this measure has been advanced without any understanding of its wider impact, particularly in London, which is the driver of our economy. The Mayor of London has also written to the Government to outline his concern.

Mr Oliver Heald (North East Hertfordshire) (Con): Does not the hon. Lady accept that the level of housing benefit—and how it is set—affects the rental market? The National Landlords Association has said:

> "Landlords will have to look at their profit and loss and decide how much they can afford to cut their rents by."

The hon. Lady will have seen examples in the *Evening Standard* last night of properties being rented at almost double the market value to housing benefit tenants.

Meg Hillier: The hon. Gentleman brings me nicely to my next point, and I shall deal with his second point in a moment. Let me be clear that I am not saying that all is perfect with housing benefit, as the Minister, from his previous incarnation as an academic in this area, knows all too well. Although I have been unable to source the reference, I believe that the current Leader of House famously said, "Let housing benefit take the strain," when a previous Government made changes following which social housing rents increased.

Ms Karen Buck (Westminster North) (Lab): Does my hon. Friend agree that there are grave perils in establishing a policy that affects one million claimants on the basis of what we know for a fact are some 30 extreme cases of the kind quoted by the hon. Member for North East Hertfordshire (Mr Heald)?

Meg Hillier: I agree. We must not lose sight of the majority of our constituents. Good law is not made on the basis of rare exceptions.

The hon. Member for North East Hertfordshire (Mr Heald) raised an interesting point about housing benefit levels in the private rented sector. Some private landlords have been in touch with me to say that they are concerned that they will no longer wish to rent to anybody who is either in receipt of benefit or likely to be. Given the current economic situation, the group of people who are likely to be in receipt of housing benefit will grow, because many people could be affected over the next few years. We heard yesterday about cuts to the NHS, and job losses are coming from all directions. That will mean that for many people in the private rented sector who want stay in their home and their community, the only option will be to look to housing benefit to take the strain.

Mr Heald: Does not somebody have to speak up for the hard-pressed taxpayer? Average earnings—take-home pay—in this country are £374 a week, but the hon. Lady is arguing that people should be able to rent properties for amounts hugely above that.

Meg Hillier: There is an interesting divide in the Chamber—not on party lines, but on London and rest of the country lines. Those of us who represent London see the reality of the situation. Yes, the housing benefit bill has increased, but tinkering in such a way is not the solution. The subsidy needs reform, but it is flexible, and that flexibility is useful. In the current climate, with job losses looming, we tinker with such flexibility at our peril. If wholesale reform was being proposed, we might want to look at that, but at the moment we are talking about tinkering with the system in a way that damages London.

Hywel Williams (Arfon) (PC): We have a history of using market forces to force down rents, which clearly has not worked, as the riposte by the hon. Member for North East Hertfordshire (Mr Heald) showed.

Meg Hillier: One reason why that has not worked is housing shortages. However, the self-denying ordinance that I set out at the beginning of my speech means that I cannot talk about wider issues.

Flexibility is important, but it is being abused by the Government, who are proposing changes overnight that might be in place from this autumn—I look to the Minister to give me guidance about that. People who have signed a six-month tenancy or a tenancy with a six-month break clause, for example, will have little option but to fund that shortfall somehow, as I shall address in more detail in a moment.

There is also a proposal to link housing benefit to consumer price index inflation, which will have a big impact on tenants and landlords. Research by Shelter has shown that CPI increased by 15% between 1999 and 2007, while there was a 44% increase in average rents. Had the local housing allowance been set to increase in line with CPI in 1999, it would now be 20% below the level needed to rent the average property. Whichever way the cut is made, people on low incomes—those people are often working—or on benefits are expected to fund the shortfall from their income to stay living in their own homes.

The impact on children and families is pertinent in my constituency, because some 22% of residents are under 16 and a lot of families need homes. People often come to my surgery because they are unable to access social housing. They are advised that they should look at what can be provided in the private rented sector, and I am sure that colleagues are in a similar position. More than one million children—a third of them in London—are living in overcrowded conditions. The cap will only exacerbate that problem because families will be forced to move into smaller, cheaper properties, and perhaps to push out their teenage children as they get older so that they can afford the rent.

I need to touch on a problem in the north of Hackney—not in my constituency, but in that of my hon. Friend the Member for Hackney North and Stoke Newington—where orthodox Jewish families will be severely hit. Such families typically have more than four children, and many of them live in the private rented sector, so the limit on benefit will have a devastating impact. The council and social landlords in Hackney will be unable to take the strain, so I need answers from the Minister on how councils will be supported in dealing with that.

Of the nearly 40,000 people in Hackney currently in receipt of housing benefit, just over 9,000 live in the private rented sector. Two thirds are in receipt of benefit, but one third are working tenants, many of whom would like to continue to work but, as a result of the proposals, will find a serious shortfall between their rent and the benefit provided for it, and will have very little income to make up the difference. In the three bands for the broad rental market areas that operate in my constituency—inner east, inner north and London central—all properties with more than two bedrooms are above the Government's proposed cap. That is ludicrous. It means that those in Hackney living in a two, three or four-bedroom property—or a larger property—will have nowhere to go. They could go out of Hackney, but there are not many boroughs they could go to. I am not entirely clear how the Government propose to ensure that people can stay living in London—and, crucially, working in London and supporting its economy—because many people need that benefit to subsidise their rent so that they are able to live locally to their jobs.

Lyn Brown (West Ham) (Lab): I agree.

Meg Hillier: Does my hon. Friend wish to make an intervention?

Mr Mike Hancock (in the Chair): Order. Do not look for them.

Meg Hillier: There was some agitation behind me, Mr Hancock, and I thought that my hon. Friend wanted to intervene.

We must also consider the annual reductions in housing benefit payments. I can see why the Government see that as appealing from the point of view of money, but the impact on those affected is enormous—1,642 claimants will be affected by the bedroom size proposals in my borough alone, which is devastating. Shelter has kindly

done some research that shows that the average three-bedroom household in inner-east London, which is a band in my constituency, will need to find an additional £35 a week to keep a roof over their heads. I do not know how people on the minimum wage or benefits can do that. For example, how will a pensioner surviving on £98 a week find that additional £35? Perhaps they would not be in a three-bedroom property, but they would still have to find some extra money. How will someone on the minimum wage—£218 a week—find that additional money?

Almost half of local housing allowance claimants already have shortfalls of almost £100 a month. Shelter is concerned, as am I, that the cuts could push many households over the edge. I have great faith in the Minister, because he is an expert in the area, and he has a great opportunity to do something positive for housing benefit. I hope that he is not a fig leaf for the coalition's proposals, that he will genuinely look at the problems that the proposals throw up, and that he will come back with solutions that will, at best, ameliorate those problems, or delay them while better work is done to lessen the impact.

It is rare to have a Minister who is an expert. Governments often seem to conspire to put people in office who do not know much about their subject, but in this case we have a Minister who knows what he is talking about and can make a difference. I urge him to look into the matter with all vigour. I would also like him to answer some specific questions. What is the timetable for the welfare reform Bill, and are there any plans for the implementation of its measures, should the House pass it? Were it to go through the House in the autumn at a fast pace, when would the measures be brought in?

Will the Minister look at the following matters, which would not require primary legislation through that Bill: the reduction from the median to the 30th percentile for claimants of local housing allowance; the cap for each property size; the increase in discretionary housing payment, which I will touch on in a moment; and the change to non-dependent deductions? The Government can change the rules with a stroke of the pen, as we saw in the Budget, but that stroke of the pen devastates my constituents and many others. Is the Minister planning to consult on that, because we have seen very little consultation? We have not even seen an impact assessment. Rather than having evidence-based policy, for which the Government parties pressed when they were in opposition, it seems that policy is being made before information is provided to back it up. That is not the right way to go about things, and I hope that an impact assessment will soon be forthcoming.

I must mention the discretionary housing payment in the short time I have left. The Chartered Institute of Housing has conducted an analysis that shows that the suggested additional £40 million, which to the average man or woman might sound like a lot of money, does not go very far. If it is spent solely on making up the shortfall in rents due to the proposed drop, it would support only 4% of claimants facing the drop from the 50th to the 30th percentile for one year. It is just not enough. I do not know what will happen in my borough when people turn up to the housing office looking for alternatives, having been kicked out of their private rented properties. The borough will find it difficult to deal with the private landlords with whom it already has relationships, because they will not be keen to take people on and there will not be enough social housing. I hope that the Minister will address that point.

I am confused about some of the proposals and hope that the Minister can clarify them for me. I have already mentioned the welfare reform Bill, but what is the timetable for the more general changes and for the publication of an impact assessment, and what will that impact assessment cover? What is the rationale behind the proposals? We see a Government who are joined up in their coalition, and we have talked a lot about joined-up government over the past 13 years. As a former Minister, I am aware of the challenges that that presents, but to see such a disjoint in one Department is quite extraordinary. On one hand the Secretary of State is telling social housing tenants, "Move for the work and travel around," and on the other hand private rental tenants are being forced to move, not necessarily to where the work is, but to poorer, cheaper places. It would therefore be helpful to hear the rationale behind the proposals. Will the Minister be candid and explain what discussion he, as an expert on the matter, has had with the Secretary of State?

What transitional arrangements will be in place for affected families? Will the change be sudden, because at the moment it seems that there will be no such arrangements? What support will councils be given, particularly with regard to discretionary housing payments? What will be the impact more generally on housing needs teams, which are already stretched? What conversations has the Minister held with the Department for Communities and Local Government?

If the Government's apparent theory is backed by action and we see an influx of tenants seeking cheaper properties, certain boroughs will be particularly badly affected, so what support will there be for those boroughs? My colleagues, undoubtedly, will want to refer to that concern. Will the Minister share with us any analysis of an impact assessment on the private rented sector? I am not sure whether that will come in the impact assessment that has been proposed, but I have already heard landlords say that they will not rent to people on benefits. Will he tell us candidly what the chances are that we will make any difference by banging the drum about that in the debate? Have the Government made up their mind? Is that the style of the new Government, or is the Minister genuinely listening?

The Conservative Mayor of London and the Labour chair of London Councils have joined together—in the spirit of coalition government, I suppose—and have written to the Government to point out the error that they have made. In seeking to grab a headline and make a saving, the Government will have a huge impact on our capital. I do not claim that housing benefit is perfect, but to change it in such a way is just not the way to proceed. Where is the voice for London in the Government? I hope that the Minister will hear what we are saying today, as many London Members are present to hammer home our points. On this occasion, I agree with Boris, which is not something that I expect to say regularly. At least we have some voice for London through him and through Mayor Jules Pipe, who chairs London Councils.

In the past, Westminster council sold homes to discourage poor people from living in the area. Now we see a Secretary of State colluding in that by depriving lower-income households of the opportunity to live in whole

[Meg Hillier]

swathes of London, unless they qualify for social housing. We can draw our own conclusions about what is happening, and you, Mr Hancock, are experienced enough for me not to have to lay it out. The quiet man is roaring in his own way, and it is our constituents and London's economy that will suffer.

Mr Mike Hancock (in the Chair): Thank you for being short and to the point. Hon. Members will have to be fair to each other, because some will be squeezed out of the debate if others talk for too long.

11.19 am

Mr Mark Field (Cities of London and Westminster) (Con): I congratulate the hon. Member for Hackney South and Shoreditch (Meg Hillier) on securing the debate. We have worked together on a problem in our communities concerning the Crown Estate, along with the right hon. Member for Holborn and St Pancras (Frank Dobson), and will continue to do so. I have significant sympathy with some of her concerns, particularly those that relate to London. I fear that elements of the proposals are similar to those adopted by previous Governments, of all colours, and that there is a lack of understanding on specific issues that affect the capital and that an entirely nationwide approach cannot necessarily focus on. Many people will argue that if we remove the opportunity of central London life for the unemployed or the poor, we risk losing the fundamental character of the inner city and perhaps ghettoising the outer capital where families would inevitably be placed.

A housing benefit cap is not about driving people out of London; it is about bringing rents back into the real world, and saying that a system that pays for accommodation that is well out of the reach of ordinary taxpayers is wrong. That system is largely absurd. It has been broken, and become more absurd as time goes by. I am not focusing on *Daily Mail* articles that appear day by day, because we all know that those exceptions do not prove the rule. None the less, they reflect some of the reality as well as the anger felt by many people who take responsibility for their lives and do not have a lot of children and then throw themselves on the mercy of the state through housing benefit or subsidised housing. There must be fairness.

London will continue to have vibrant estates, and its housing association properties and relatively cheap private sector offering will probably come within the reach of many ordinary workers when the artificially raised rents that have in part been caused by the housing benefit system fall. The issue is not just about the regulated rents of recent years, but goes back some years. There is no doubt that some rents have been artificially raised over the last few years because private landlords have known what they can get away with. That has led to some of the current absurdities.

Ms Buck: On that specific point, is the hon. Gentleman aware of the proportion of private sector tenancies in London where a claimant is on housing benefit? He is making the point that the market is distorted by housing benefit, yet housing benefit claimants make up only a small proportion of total private sector leasing, so why should that be the case?

Mr Field: It distorts the overall price level that landlords—often absentee landlords, of which there are far more—reckon they can get away with. That has a distorting effect on the rest of the free market in this area.

Westminster city council—my local authority and the hon. Lady's—supports the cap even though the announced changes are estimated in the worst case scenario to cost local authorities some £8.1 million this year. That reflects another element of the absurdity: the expense of long-term temporary accommodation contracts that the council was encouraged to enter into under the previous cap regime.

Ms Buck: Does the hon. Gentleman agree that two years ago, when the Labour Government proposed changes to the broad market rental area that would have impacted on Westminster, the council not only opposed that and asked us to lobby against it, but said that it would seek judicial review?

Mr Field: I do. The hon. Lady and I have done work and spoken in debates here over many years, but it is absurd that there is a massive incentive for local authorities to work within that system, and that they will lose a significant amount because of the cap system.

The local connection guidelines must change because, again, there is a phenomenal incentive for people to come to London, particularly central London. It is understandable that people from established communities abroad would want to be in central London, and I share some of the concerns of Opposition Members about tampering with ideas about local connections. However, in relation to the requirement on a local authority to provide housing, it has been suggested that we consider a three-year period instead of the existing six months out of 12. There is no doubt that central London remains an extremely attractive place in which to live, and it is important to ensure that only families most in need of temporary accommodation are here.

I understand the knock-on effects—I see the hon. Member for West Ham (Lyn Brown) shaking her head. I understand that part of the difficulty is that wherever the boundary is drawn the knock-on effect will mean that in Barking, Dagenham, Newham and so on there will be many more people, and that is equally a wrong way forward to a large extent. I hope that we will implement the caps for new claimants with immediate effect, because nothing would be worse than having too long a gap, such that there would be an incentive for people to enter into long-term contracts before the cap comes into effect.

I appreciate that many hon. Members want to speak, but I want to provide a bit of balance. I am broadly supportive of what the Government are trying to do, but they must consider seriously the specific problems in London, which I am sure will be articulated elsewhere.

It is only right to put another side of the story. A housing provider in my constituency—St Mungo's—is dedicated to providing a recovery solution for homeless people, and I have worked closely with it during my time as an MP. We know that finding employment must be part of homeless people's recovery. St Mungo's welcomes the Government's promise of further support for those who live a long way from the labour market. The people it works with have many problems, which have contributed

to their joblessness and homelessness. It is worried about the announcement that jobseeker's allowance claimants will have their housing allowance cut by 10% if they have not found jobs within a year.

Many Conservative Members welcome the review of the housing benefit system, because its flaws have become glaringly obvious to those of us who frequently deal with housing cases. I probably speak for all London Members when I say that housing and immigration are the two biggest elements of our work load. Given the great financial straits facing our country, the case for reform is more compelling, but I share the concern of the hon. Member for Hackney South and Shoreditch, and I hope that the Minister will respond to it. Urgent as the need for reform is, there must be proper consultation and an emphasis on the issues particular to the capital. I fear that if we do not change the system, we risk undermining the most compelling aspect of the case for reform, which is that the measures must be primarily about fairness, with hard work rewarded and the truly vulnerable protected.

Several hon. Members *rose—*

Mr Mike Hancock (in the Chair): Order. If hon. Members who wish to speak do so for four minutes, I will be able to call nearly everyone.

11.26 am

Glenda Jackson (Hampstead and Kilburn) (Lab): It is pleasure to follow the hon. Member for Cities of London and Westminster (Mr Field), and my hon. Friend the Member for Hackney South and Shoreditch (Meg Hillier) who has laid out as a basis for the debate the numbers and figures. I will not reiterate what has already been established.

What I find most shocking about the Government's proposals is that the previous Conservative Government laid out a lesson of precisely what not to do, and the present Government are intent on repeating what happened last time. The suggestion that if people are decanted from the centre of London it can thrive is absurd. The services on which we are all dependent in the city are dependent on people who work extremely hard, not unusually for the minimum wage. They will certainly never be able to afford to buy a property in London and are finding it almost impossible to rent an affordable property in London. One of my most recent constituency cases involves a man with four in his family. He earns £361 a week and his rent is £351 a week. How is that family supposed to survive?

I want to revert to my opening statement about history being rerun. Last time there was a Conservative Government, they decanted people to seaside resorts, which experienced difficulties because those people had no employment and nothing to do, and that became an increasing tragedy. This Government have said that they are committed to families. I would argue about their definition of what constitutes a family, but the basis of that argument is that children thrive best in a stable family environment. The proposal for housing benefit will destroy families.

I revert again to my history lesson. What happened was that families were placed in absolutely appalling bed-and-breakfast conditions. That will happen again, because local authorities still have a statutory duty to put a roof over the heads of children. They may either put families into bed-and-breakfast accommodation, or they may attempt to take the children into care. Will someone tell me precisely how much we will save if thousands of children are taken into local authority care and their parents are left to wander the streets? We will see an increase in the sort of homelessness that I thought so shocked all political parties that they would never allow such a situation to arise again. But it will arise again, because the Government are trying to sell to the British electorate the argument—we heard it not in harsh terms, but it has been presented by the Government—that the majority of people who claim benefit, particularly housing benefit, are scroungers and wastrels who do not want to work and are battening on the backs of the majority of hard-working British people who do not claim housing benefit. That is simply not the case. There are people who work all the hours that God sends and are still dependent on housing benefit in order to house their families.

I hope that the Minister will reply to all the questions put to him by my hon. Friend the Member for Hackney South and Shoreditch. This policy is a monstrous rush towards what I believe will be the creation of serious social damage to some of the most vulnerable people in our society. I have already mentioned children, but there are a number of pensioners in my constituency who are dependent on housing benefit. If their homes are taken away, where will they live? Many of them do not have families who can house them. Are we going to put them into a residential home? Are we going back to the good old days of the Poor Law, where a husband and wife could be separated and put in separate buildings? I know that sounds fanciful, but if the Government's policy is carried through as they propose, I do not believe that it is extreme to see that happening.

I have not mentioned those people who claim housing benefit because they are disabled. Such disability may not always be physical; it could be a mental disability. The policy must be rethought. The Government claim to be hard but fair none the less, and they have a duty to ensure that their approach to this issue is fair.

Lastly, on landlords, I will not be the only Member of the House who has received a briefing from a landlords association that wants to see its properties turned into houses in multiple occupation. My local authority—along with every local authority in central London, I think—has instituted policies to prevent that from happening, because properties are needed that can house more than just one individual. In my constituency, we need to house larger families, and the housing stock available at the moment is utterly inadequate. The bottom line is that we as a nation should be building more homes, but the Government have put a total block on the funding available to the Homes and Communities Agency to build more properties, so that is apparently not going to happen. That is a long-term issue, but in the short term the Government must rethink this scandalous and disgraceful policy because it punishes the most vulnerable people most harshly.

11.32 am

Hywel Williams (Arfon) (PC): I congratulate the hon. Member for Hackney South and Shoreditch (Meg Hillier) on securing this debate. This is not just a London

[Hywel Williams]

problem. Most, if not all, housing policy for Wales is devolved to the Welsh Assembly Government, with the obvious exception of housing benefit. The current system of housing provision clearly fails to provide for the warm, dry, clean spaces that most people would like to live in—MPs have recently had the experience of looking for rented properties—and that has been the case for decades. I do not want to enter into a history lesson, but I became interested in housing in the '70s and '80s, and there is a clear contrast between housing policy in the '40s, '50s, '60s and '70s, and recent policy with its emphasis on profits, ownership and selling off assets.

There are particular circumstances in Wales. In my part of Wales, the question of housing is exacerbated by the huge number of second homes. In my constituency around Caernarfon there are enough empty properties to rehouse every homeless person and nearly everybody who lives in substandard housing. However, those houses stand empty.

The Welsh Assembly Government have been trying to do something about that problem, and in the last Parliament a legislative competence order on housing was discussed. Three Conservative MPs on the Welsh Affairs Committee turned up expressly to vote the order down—I see that they are not present in the Chamber today. They took the opportunity to vote down that provision, and the transfer of powers over this vital issue to the Welsh Assembly Government was blocked. There has now been a U-turn. The Welsh Assembly Government lack overall control over housing benefit and work on only part of the jigsaw. They work effectively and have a well-thought-out policy, but the part of housing provision that is a mess—housing benefit—is controlled from this place.

If we are to reduce the housing benefit bill in the long term, we must plan to provide proper homes of a good standard to the people who need them, and not depend on the vagaries of the market. We must build more affordable homes, and in Wales we must change the VAT system so that houses that are clearly substandard are brought up to a proper standard. VAT is charged on repairs to houses whereas it is not charged on new build. In Wales, we need to devolve power so that the Welsh Assembly Government can take full control of the issue. My question to the Minister is this: what discussions on housing benefit took place with the Welsh Assembly Government before the announcement of this policy?

11.36 am

Mr Andy Slaughter (Hammersmith) (Lab): It seems a long time since the Budget, and this policy on housing was probably the worst of a number of shocks on that day, particularly for London MPs. We have had time to reflect, and we have seen a pattern of announcements. If we look at the announcement about Building Schools for the Future last week, or that about the NHS yesterday, we see a systematic attack on the welfare state, and major changes that are being done without consultation or advice. To my mind, that looks like the legal definition of recklessness—we are either giving no thought to the consequences of our actions, or we are giving thought to those consequences, but pressing on regardless. I would be interested to know whether the Minister has given this policy any thought. He has a reputation for doing that.

I do not know whether this degree of recklessness is the new politics, or whether the Conservatives expect the Liberal Democrats to hold them back. There is little sign of that at present given the rather slavish and shameless way in which the Liberal Democrats adhere to those policies, which are attacks on the poorest communities in this country. I hope that the Minister will speak not only on behalf of the Government, but on behalf of his party to explain how he can defend his actions. He would be well advised to take advice.

Citizens Advice has produced an excellent brief for this debate that claims that there will be a marked increase in poverty, debt, rent arrears and homelessness, as well as negative impacts on family relationships. The National Housing Federation has estimated that homelessness will rise by 200,000. I feel most strongly about the fact that this policy will destroy mixed communities in London. We are proud of those communities, and not only poorer people but better-off people enjoy living in places such as Shepherd's Bush, Hammersmith and many other areas in London. Such areas have a uniqueness that is not found in many other countries in that people of all backgrounds, incomes, races and religions live together harmoniously. This policy is destroying that. It is just one way in which the Conservative party has sought to destroy the communities that I represent, but is a particularly pernicious way that will lead to the return of Rachmanism in London. It will lead to appalling housing conditions being promoted by the Government, which is something that I hoped never to see in this country. I congratulate my hon. Friend the Member for Hackney South and Shoreditch (Meg Hillier) on securing this debate. As she said, this policy is full of contradictions and is driving out those people who can get work and who, to a large extent, do work in London.

Given the limited time available I will not repeat what my hon. Friend the Member for Hampstead and Kilburn (Glenda Jackson) has said, but there is a myth that people in receipt of housing benefit are scroungers and that they are staying out of work. Shelter stated:

> "The vast majority of housing benefit claimants are either pensioners, those with disabilities, people caring for a relative or hardworking people on low incomes, and only 1 in 8 people who receive housing benefit is unemployed."

There is a myth that housing benefit is generous, although half of people who receive it pay an average of £23 a week towards their rent. There is a myth that people are living in luxury. We know the stories that Tory central office plants in the *Evening Standard*, which is frankly a disgraceful way to pillory the millions of people who are reliant in some degree on housing benefit in this country. At present, the level of accommodation is low.

The biggest myth of all is that people choose to live in that way. Almost everybody I know who receives housing benefit would prefer to have a secure or assured tenancy in an affordable home. To give some figures, the director of finance of Hammersmith and Fulham council estimated that initially the cap would mean 750 families being unable to afford to live in the borough—I suspect many more once we have taken into account other factors, such as the six different changes. The cap alone means thousands of people not being able to live where their

families live, where they have grown up, where their work is or where their children go to school. In comparison, in the past two years the Conservative council has given planning consent for only four new affordable rented homes, although even that scheme is in doubt.

Do not blame the people who are receiving housing benefit for the problem. I blame Conservative councils in particular, but also Liberal Democrat ones. *[Interruption.]* My hon. Friend the Member for Islington South and Finsbury (Emily Thornberry) agrees about the Liberal Democrats. Those councils have singularly failed through the planning process and their own means to build affordable homes in London over the past five years. What I find particularly pernicious—

Bob Blackman (Harrow East) (Con): Will the hon. Gentleman give way?

Mr Slaughter: I do not think that I have time—I would like to, but it would be unfair on other people.

A degree of trickery and blackmail is used by Conservative councils and, I am sure, Liberal Democrat ones—I have to include them now—to force people into the private sector. They say, "Give up your tenancy in order to get more space. If you want your families to live in more than a one-bedroom flat, move into the private sector." I have such cases every week in my surgery. I now have to inform those people that if they do so, not only will they be in an insecure tenancy, but in a year's time their rent will be capped and they will be forced to move out of the area altogether. They simply do not know that.

I praise the campaign that *Inside Housing* magazine is running on the issue, and I praise the efforts of many London MPs, but the policy needs a rethink even at this stage. The Minister needs to go back and look at the implications, which he clearly has not yet done.

11.41 am

Mr Oliver Heald (North East Hertfordshire) (Con): Average earners in this country—taxpayers—take home £374 a week. Is the hon. Member for Hammersmith (Mr Slaughter) seriously arguing that they should chip in so that £2,000 a week can be spent through housing benefit for a family? He needs to wake up. The fact is that the housing market for rentals is affected by the level of housing benefit and the housing allowance. In Wolverhampton, 75% of the rental market is housing allowance. The maximum amount that can be claimed for a four-bedroom property is £693 a month and—guess what?—that is what they all go on the market at.

Several hon. Members *rose—*

Mr Heald: I will give way in a moment, but first I wish to mention Blackpool. The effect of the local broad rental market area, which takes in surrounding areas such as Fylde, has been to put up all the rents in the centre of Blackpool. There are other examples, including one in yesterday's *Evening Standard* showing that housing benefit rents are higher than ordinary rents. The National Landlords Association states that the effect of the change will be landlords looking at their profit and loss and deciding by how much they can afford to reduce their rents. The fact is that housing benefit and the rental market are intertwined and it is ridiculous to say otherwise.

Caroline Lucas (Brighton, Pavilion) (Green): Does the hon. Gentleman agree that those on the lowest incomes pay most in income tax, as a percentage of their income, rather than those on higher incomes? The idea that these measures are somehow unfair to taxpayers is completely misguided.

Mr Heald: The hon. Lady makes my point exactly. If someone with a job that does not pay much is struggling and paying taxes, how will they feel to see a family renting at £2,000 per week?

Lyn Brown: Will the hon. Gentleman give way?

Mr Heald: Of course.

Mr Mike Hancock (in the Chair): Order. I urge hon. Members to consider that at least six more people have indicated that they wish to speak. If we have such a rate of interventions, they will not all get in. Please can we be fair to each other?

Lyn Brown: I am grateful, Mr Hancock. Other people would like to contribute to the debate but will probably find it impossible.

I want to make it absolutely clear that the hon. Member for North East Hertfordshire (Mr Heald) is talking about one case that has been cited in the *Daily Mail*, *The Mail on Sunday* or wherever. In Newham, in London, the rent for a five-bedroom house is £350 a week, not the ludicrous amounts that the hon. Gentleman is talking about. Perhaps he will focus his remarks on the real world, rather than the world of Notting Hill.

Mr Heald: The hon. Lady must recognise what has happened to the housing benefit budget. It has gone up in a decade from £14 billion to £21 billion, and has been pushed there the whole time. When the Work and Pensions Committee looked at the issue before the election, some people were seriously arguing that we should remove the five-bedroom cap so that someone could get a seven-bedroom house on housing benefit—there is no end to it. Someone needs to speak up for the ordinary taxpayer.

What about large families? The hon. Member for Hampstead and Kilburn (Glenda Jackson) talked about that issue in Hampstead. If ordinary working people want to have a large family, that is their individual choice, and it probably means that if they are not subsidised to a huge extent, they will be a bit more crowded and cannot live in the part of London in which they want to live. People with large families need to be more realistic about the way of the world.

11.45 am

Margaret Hodge (Barking) (Lab): I want to raise the issue of the impact that this policy will have on my community in the London borough of Barking and Dagenham. Our borough has lower local housing allowance rates than the proposed cap for all but the largest properties, so only five families will be adversely affected by it, although I must add that larger families tend to be the poorer families and that the impact will be felt over time.

[Margaret Hodge]

However, that figure can be compared with the 4,592 families—some 85%—who will be over the cap in Westminster, the 2,345 in Kensington and Chelsea, the 2,360 in Brent and the 1,688 in Hackney.

We do not need to be rocket scientists to work out what will happen in practice: families will move out of the inner London boroughs to places such as Barking and Dagenham, where there will then be greater pressure on housing. Let me set out what the impact of that will be. Our borough does not have enough decent housing for local people at a price that people can afford. We have more than 11,000 people on our waiting list. Everyone in the Chamber knows the impact that a lack of affordable housing can have on people's anger, and therefore the rise of the extreme right, and we have been grappling with that problem. I ask the Minister to think about the impact of what he is doing by moving people across the capital, and what that will mean for social cohesion, which he must care about.

There is intellectual illiteracy among some Government Members. Rents have gone up in the private sector not because of housing benefit, but because of a lack of affordable housing. Both Labour and Conservative Governments have not built enough social housing. Making housing rents in the private sector less affordable for poor families—if there are no council or housing association homes available—means that people are forced into bed-and-breakfast accommodation or back on to the streets, which will cost the taxpayer very much more than private sector housing.

Several hon. Members *rose—*

Margaret Hodge: I will not give way, because loads of people wish to speak. I am not being discourteous, but do not want to be unfair to Members.

I have two other issues to raise. I am concerned about the changes to the local housing allowance. The current level of 50% of market rates is to go down to 30%, which again will disproportionately affect the largest families, who tend to be the poorest. In Barking and Dagenham, it will mean that the poorest large families will be more than £23 a week worse off. I do not believe in castrating the parents of such families to prevent them from having children. In a civilised society, our prime duty is to be fair and to look after the children of families in greatest need.

The Government also intend that, from 2013, families who have been on jobseeker's allowance for more than 12 months will find their housing benefit cut. That will have a terrible impact on the poorest families in the community. In my borough, one in five private tenants is a JSA claimant. They tend to be people of working age, but as rents go up, the costs of being in work increase, which forces people into joblessness.

I passionately ask the Minister whether he has considered the impact of his proposed changes on social cohesion in communities across London such as mine. If so, how will he respond to the challenges that he is creating? Will he reconsider the caps to prevent such dislocation across the capital, or is the policy just another bit of political gerrymandering, as we had with the Conservative Government in the 1980s? With his background, how can he justify hitting the poorest people first? How does the cap fit with fairness? Why punish people rather than supporting them out of poverty? The Government's proposition is ill thought out. We all want to reform housing benefit, but not in this way.

Several hon. Members *rose—*

Mr Mike Hancock (in the Chair): Order. I intend to call Damian Hinds next, and then Karen Buck and Caroline Lucas. The winding-up speeches will start at 12.10 pm. Both the Minister and the Opposition spokesperson have agreed to speak for 10 minutes each, which I hope that we can respect. We can still get five more speakers in if we play the game.

11.49 am

Damian Hinds (East Hampshire) (Con): Most of us agree with the hon. Member for Hackney South and Shoreditch (Meg Hillier) that there will be difficulties for some families following the changes. It would be faintly ridiculous to have a debate in which people on one side were saying that taking money from a benefit would have an impact, but people on the other side were saying that it would not. Of course there will be an impact, and not just in London, although London is particularly affected. Many other areas will be affected, including my constituency of East Hampshire.

Most of us wish that the changes were not necessary. We wish that we were not where we are—but we are. A budget of £21 billion is bound to be examined. The question is how we proceed, and the trick is not just to cut but to try to reform and redesign in a way that smoothes off the roughest edges, that does not introduce perverse incentives, and that attempts to keep rents down. The right hon. Member for Barking (Margaret Hodge) shouted out that saying that this measure will do that is an assertion, not a fact, but it is also a basic economic law. If we take a large part of the macro-market—it does not have to be the majority of the market or all of it—and impose a limit, that will have an impact on the overall price.

The point that I really want to make is somewhat broader, however. I realise that Opposition Members would like the structural deficit that they ran up to be last week's or last month's debate, and now want to move on to a debate about cuts and pretend that it is a different topic altogether. In the first debate, they say, "Oh yes, we did go a little bit far in running up debts, but the real problem was caused by the bankers and the global recession," but that glosses over the fact that we were so economically ill prepared for what came. They deliberately confuse the cyclical deficit with the structural deficit and deliberately confuse the annual deficit with the accumulated debt, thus trying to discombobulate the public. By the way, they say that they had a plan to deal with the situation, but they only ever talk about the total, and never about the individual line items that make up that total.

In the second debate, Opposition Members move on to a discussion about cuts, and for every individual line item that the present Government have to cut, they find fault with that particular approach without offering a realistic alternative. We cannot have those two separate debates. They are not separate debates, because the deficit and how it is dealt with are two sides of the same coin.

Let us be clear that with a deficit of such a size, we cannot talk only about cutting unproductive programmes and waste. We will also have to cut things that we want but simply cannot afford. If people are to be able to do the things that they want to do, they have to do the things that they must do well and responsibly, yet by running up the deficit, that is precisely what the previous Government did not do.

Many hon. Members who supported the previous Government want to see the debate in terms of so-called ideological cuts. I have seen how eager they are to suggest that there is some zeal on the part of Government Members to make such cuts because we have a strange, ill-defined antipathy towards helping people. Of course, that is nonsense. The reality is that we are trying urgently to save money—money that we do not have and never had—in the best way possible.

This is rightly a sensitive subject. As I said at the start of my speech, there will be hardship and hard cases as a result of the changes, which is why I was encouraged to learn of the increase in the discretionary housing benefit fund. I hope that that will help to mitigate some of the effects. Overall, however, given the fiscal situation that the Government have been bequeathed, I think that the changes are right and that they strike about the right balance. They cannot be considered in isolation. We must remember that people throughout society are being asked—have to be asked—to make sacrifices. I think that the changes will be seen as fair. My question is this: what representations has the Minister received from Opposition Members on how else to make cuts of a similar overall quantum in the housing benefit budget?

Several hon. Members *rose—*

Mr Mike Hancock (in the Chair): Order. There are three more Back Benchers who wish to speak. If they take five minutes each, we will be laughing.

11.54 am

Ms Karen Buck (Westminster North) (Lab): William Beveridge deferred any strategy for dealing with housing costs on the ground that that could not be done while there were still significant regional variations. To paraphrase Lloyd Bentsen's famous comment to Dan Quayle when Dan Quayle compared himself to Kennedy, "George Osborne, you are no William Beveridge."

Our problem is that we have had a 30-year policy of shifting expenditure from the construction of affordable housing to the housing benefit budget. That includes, I have to say, decisions made by the Labour Government, which I did not agree with at the time. We are dealing with that now in the worst possible way.

Four categories of people are involved. There is a very small number of very extreme cases, which the Labour Government were planning to deal with through taking out the most expensive properties at the top of the market in the local housing allowance calculation, which was a reasonable one. We will not support such cases, but we have to have a sensible strategy for dealing with those extremes. I do not think that any Labour Member would disagree that pumping billions of pounds of taxpayers' money into the pockets of private landlords is an insane way to go about a housing policy, but what is proposed is more insane.

I say that because of the other three categories. One is pensioners who never expected to be on housing benefit but who, many years into their private tenancy, as the rents have gone up, have found themselves caught. The second is people in the private rented sector who were working but who have lost their jobs or whose incomes have gone down and who now find that they have to claim housing benefit, possibly for a transitional period. The third category is people—families in many cases—in priority need, who either could not access social housing or were deliberately placed in the accommodation that we are talking about by local authorities. All three categories but certainly categories one and three are made up of very vulnerable people.

I have a few questions for the Minister and I would be grateful if he confirmed that he will write to all hon. Members with replies to these questions and those asked in the excellent opening speech by my hon. Friend the Member for Hackney South and Shoreditch (Meg Hillier). Can he confirm that placing homeless households in private rented accommodation was a deliberate policy of local authorities and Government, and remains so? Is he aware of how many households have been either directed to or maintained in private lettings over the past five years as a deliberate housing policy?

What proportion of households making applications and accepted by local authorities as homeless had as the main reason for their homelessness acceptance the end of an assured shorthold tenancy? I believe that it is the majority of cases; it is the main driver of homelessness.

If a household is in priority need and faces a reduction in housing benefit below the rent payable, will the local authority continue to have a homelessness duty to it? How many private tenants on housing benefit currently face a shortfall between local housing allowance and the rent charged, and what is the average amount? Hon. Friends have cited some figures. Shelter has come up with the figure of 50% of all housing benefit claimants and cited the figure of £100.

What assessment has the Department made of the numbers overall and broken down by different categories—pensioners, families with children and those of working age—and by local authority area for additional homelessness applications that are expected as a result of the policy? What assessment is being undertaken of the implications for local authorities of the movement of substantial numbers of families with children, pensioner households and others, referred to by my right hon. Friend the Member for Barking (Margaret Hodge)? I am thinking in particular of the capacity to provide school places and the implications for children's services and adult services of dealing with large numbers of people with additional needs in a very short time scale.

Is it the Government's intention to introduce new legislation to change the homelessness duty? What discussions are being held with local authorities about changes to the homelessness duty and the local connection criterion? Is the Minister confident that local authorities that will be the recipients of large numbers of people moved as a consequence of housing benefit changes are content to receive additional large numbers of low-income and, often, vulnerable households? What discussions have been held between the Department for Work and Pensions and the Department for Communities and Local Government about the introduction of new homelessness legislation to accommodate that difference?

[Ms Karen Buck]

Will the forthcoming impact assessment indicate the Government's confidence as to the availability of additional private rented sector housing at the reduced local housing allowance levels in all areas? What assessment has been made of the market capacity and ability to reduce rent levels?

I have a number of other questions, but I shall write to the Minister because other hon. Members want to speak. I am absolutely confident that the Department does not realise the full gravity of what is proposed.

Mr Mike Hancock (in the Chair): I call Caroline Lucas. Please remember the time.

11.59 am

Caroline Lucas (Brighton, Pavilion) (Green): I congratulate the hon. Member for Hackney South and Shoreditch (Meg Hillier) on securing the debate.

The Government's housing benefit proposals demonstrate beyond doubt that they are intent on pursuing plans that overwhelmingly penalise the poor—forget any nice words about our being in this together. As many housing charities predict, the proposals will make thousands of people homeless, as cuts to housing benefit combine with increased repossessions and higher unemployment. It is an absolute scandal that that should happen in one of the richest countries in the world in the 21st century—what a damning judgment on what was supposed to be a new politics.

I am deeply concerned about the impact in my constituency. We have heard a lot about London, and understandably so, but I reiterate that many areas, particularly beyond London's periphery, are also suffering a huge amount. In Brighton, Pavilion, for example, someone would have to earn more than £50,000 a year to buy an average-priced house. No wonder that nearly 10,000 households are on the waiting list for affordable housing in the Brighton and Hove area. At current rates, that list will take more than eight years to clear.

The increase in housing benefit bills over recent years is not, as the Government would have us believe, the result of some epidemic of scroungers, but, as others have said, of the considerable growth in the number of people who are being forced into the private rented sector, where rents are almost double those in social housing. Again in my own constituency, the private rented sector makes up about 21% of the housing sector, which is much higher than average. My surgeries are full of people who are already struggling to pay rent and to find alternatives to cramped, overcrowded and overpriced accommodation, and the Government's plans can only make that worse.

If we are to reduce the housing benefit bill in the long term, we should be building more affordable housing, which should, of course, be green, decent and fuel-efficient housing. We need a reduction in VAT on repairs to encourage people to put older properties to better use and we need to support people in bringing empty properties into use. We also need to support housing co-ops and other forms of affordable housing.

In the meantime, however, the Government's proposals will simply make the situation worse. Particularly pernicious are the proposals to reduce the percentile of local market rents used to calculate LHA from the median to the 30th percentile and to cap the maximum LHA payable for each property size. Those reforms will lead to a significant reduction in the amount of LHA received by every claimant, exacerbating widespread problems with rent shortfalls and increasing barriers to accessing accommodation. As a result, swathes of London and the south-east will simply become unaffordable for people on LHA, which is likely to push them into debt, eviction and homelessness. Behind the statistics, it is important to remember the individual families many of us see in our surgeries, whose hopes and aspirations are being wrecked every day. The Government's proposals will simply make things worse.

We are short of time, so I will make one final point. The hon. Member for East Hampshire (Damian Hinds) talked about increasing discretionary housing payments, or the DHP budget, as an additional safety net to support the thousands of claimants who will face shortfalls once the cuts to LHA are introduced. Let us remember, however, that the Chartered Institute of Housing has undertaken analysis showing that if the additional £40 million is spent solely on making up the shortfall in rents due to the proposed drop, it will support just 4% of the claimants facing the drop from the 50th to the 30th percentile for a year.

If that were not enough, from April 2013, receipt of full housing benefit for claimants who can be expected to look for work will be time limited to 12 months and then reduced by 10%. Attaching sanctions to housing benefit is an extremely unfair way of trying to help into work claimants who could work. Indeed, after the Budget, I have to ask where the jobs are that we expect these people to find. In the context of rising unemployment, it is hugely unjust to penalise people who cannot find work, and the Government's proposals will simply lead to an even greater increase in poverty.

Let me finish with some questions. What kind of transitional protection measures will be in place for the people affected by the Government's proposals? Have the Government considered the knock-on costs for local authorities and the knock-on effects on the private rented sector? Finally, to reiterate an earlier point, what is the point of an impact assessment that is produced after the proposals?

Mr Mike Hancock (in the Chair): Thank you very much. Before I call the last Back-Bench speaker, I apologise to everyone who wanted to speak but whom I could not get in. The last speaker is Emily Thornberry. It would be helpful, Emily, if you could remember that we have given an undertaking to start the winding-up speeches at 12.10 pm.

12.4 pm

Emily Thornberry (Islington South and Finsbury) (Lab): Well, six minutes.

Mr Mike Hancock (in the Chair): More than you could have hoped for, I think.

Emily Thornberry: Much more than I could possibly have hoped for, although I have to say that most of my speech will appear on my website.

[MR GARY STREETER *in the Chair*]

In some areas of the country—my constituency is an obvious example—there is a serious mismatch between earnings and housing costs. The average worker in my constituency earns £20,000 a year and pays tax on that. The average rent for a two-bedroom flat in inner north London, which is not the most expensive part of my constituency, is more than £17,000 a year. That leaves an average working parent with less than £60 a week for food, clothes, travel and council tax. It is clear, therefore, that there has to be some form of intervention in areas where the rent is so high. Either we build more affordable housing—I am sure that everyone here knows and agrees that that is exactly what we should do with the money—or we intervene to subsidise rents and put people in the private market.

Mr Mark Field: This lack of building has been a problem not only over the past 13 years. Does the hon. Lady not recognise, however, that there has to be some sharing of the blame? During the past 13 years of the Labour Government, there was no substantial building, and that is the nub of the problem, particularly in central London.

Emily Thornberry: Many of us in the Chamber have been major campaigners on that issue, and I know that the hon. Gentleman is, too. I was completely outraged that the Lib Dem council in my area, which was in power for 10 years, built only one flat for social rented housing for every seven new flats that were built, which is completely inappropriate in a constituency such as mine, given the needs that it has.

Of the 850 Islington families in flats with two or more bedrooms who are claiming LHA, or housing benefit in the case of private landlords, more than half—more than 500 families—will lose benefits under the new capping rules, and some will lose more than £100 a week. Where will they go? Is there room for them in Thornbury and Yate? Will they move into cars? Where do the Government expect them to go when they lose all that money? They certainly will not be able to keep their flats.

To make an obvious point, expecting housing benefit claimants to live in the cheapest 30% of private rented flats will cause real hardship in areas such as London, where housing is already in short supply. The differential between the median and the 30th percentile might be small in some areas. For example, in central Lancashire—perhaps in Thornbury and Yate—there is less than £6 difference between a two-bedroom flat on the median and one on the 30th percentile, and people can get a family home for less than £120 a week. However, in my constituency, in Islington, the difference between the median and the 30th percentile for a two-bedroom flat is £40 a week—the difference between £330 and £290 a week. Where will people get that money? What will happen? It is fundamentally unfair to expect claimants in my constituency to make up a housing benefit gap of £40 a week when claimants elsewhere will be expected to find only £6 a week.

Frank Dobson (Holborn and St Pancras) (Lab): Does my hon. Friend agree that officialdom clearly accepts that the cap is not fair? It suggests a cap of £340 for a three-bedroom flat, whereas the Independent Parliamentary Standards Authority allows Members from outside London £340 for a one-bedroom flat. We are being told that the going rate for a three-bedroom flat is the same as that for a single-bedroom flat.

Emily Thornberry: On a much less serious level, the representations that London MPs are making about the money that we need to run offices rely on exactly the same argument that we are putting today on behalf of the poorest and most vulnerable of our constituents. Although we all need help, they need it a great deal more.

It is unfair to expect all private tenants to compete for the cheapest properties, because private landlords will simply take the easiest families, rather than the difficult kids or the people on unemployment benefit. Where will the other families go? Will they live in cars?

I am appalled by the suggestion that the long-term unemployed should have their housing benefit cut by 10%. I am sorry to sound like a stuck record, but the effect of a 10% cut on families in London will be much more than that on families in Bradford. A 10% cut in benefit may mean £25 a week for someone in a one-bedroom flat in London, but it will be £8.60 in Bradford. It is not fair, and it is not right. The rules will affect a large number of people in the most deprived areas of London. At the moment, 1,200 Islington residents get jobseeker's allowance or incapacity benefit for more than a year. What will they do to make up for the loss of that benefit? The idea is that they are on jobseeker's allowance because they want to be—that they are malingerers and do not want to work. I invite the Minister—and, indeed, his boss—to come to some of my surgeries to see the reality of how people live in London.

We should build more affordable housing, provide sensible pathways to work and support families through child tax credits and child benefit. Yes, it is social engineering, but it is positive and sustainable.

12.10 pm

Helen Goodman (Bishop Auckland) (Lab): May I say what a pleasure it is, Mr Streeter, to serve under your chairmanship? I congratulate my hon. Friend the Member for Hackney South and Shoreditch (Meg Hillier) on securing this extremely important debate.

Of course, everyone agrees on the need to tackle high rents and high payments. It is clearly not right to pay people more than £1,000 a week for housing benefit. That is why, in his March Budget, my right hon. Friend the Member for Edinburgh South West (Mr Darling) took measures to strip out the top rents; that will save the taxpayer £50 million. Before considering the current Budget measures, I have one question for the Minister: will he abolish the £15 excess as well as introducing the raft of measures included in the Red Book?

It seems to me that the coalition Government have used the small number of exceptionally high benefit payments as a ruse to cut housing benefit across the land. The truth is that only 100 households in the entire country receive housing benefit of more than £1,000 a week. In the social sector the average payment is £72 a week, and in the private rented sector it is £106.

Over the last month, the Minister has refused to answer virtually all parliamentary questions about the number of people who will lose and by how much. I see

[Helen Goodman]

that he looks puzzled, but even yesterday he refused to answer 36 parliamentary questions. I am not sure whether he does not know how many people will be affected and what the losses will be, or he is embarrassed. I am not sure, either, which is worse.

Did Department for Work and Pensions Ministers take decisions without proper analysis? Were they ambushed by the Treasury, as we suspect? Is that why Ministers are delaying giving us the information until 23 July—in 10 days' time? How very convenient for them. The Chief Secretary to the Treasury has refused to release data that would have allowed people to analyse the impact of the housing benefit changes. That is despite the coalition agreement saying that data will be released so that we have proper transparency.

The Minister is Pensions Minister. Is he going to tell us today how the housing benefit cuts will affect the 1.5 million old-age pensioners who now receive housing benefit? Will he confirm that, in addition to the London problems that were so eloquently described by my colleagues, more than 1 million people will lose at least £500 a year? With the help of Citizens Advice, we have discovered what the cuts will be in other parts of the country. In some places, they will be huge. A single person on the lowest shared room rate in Durham will lose £700. A single person in a one-bedroom flat in St Helens will lose £800. People in four-bedroom accommodation in Nottingham will lose £1,100. Those figures are disgraceful.

It is quite wrong for the Government to have produced distribution figures in the Red Book that completely ignore the impact on housing benefit. The rents that people are expected to survive upon in the provinces are completely ridiculous. In central Lancashire, the single-room rate is down to £44 a week. In Hull, the one-bedroom rate is down to £67 a week. In Chesterfield, a family needing four bedrooms is expected to find accommodation for £138 a week. As hon. Members have said, the abolition of the housing benefit rate for five-bedroom properties will be particularly bad for large families. What will the impact be on the various ethnic and religious groups? It will clearly be discriminatory. We know that child poverty is bad for ethnic minorities and large families. It just got a whole lot worse.

I turn to the benefit cap. My hon. Friend the Member for Hackney South and Shoreditch has not been describing the problems of people who want to live in Mayfair, but the problems of people in an ordinary part of London. The Minister must explain how it will impact on work incentives. How does he expect people to travel to jobs such as cleaning our offices or working in hotels in central London? Is he trying to reproduce the apartheid conditions seen in cities elsewhere? Certainly he is not supporting mixed communities. The way to address work incentives is not to cut benefits, but to introduce run-ons and fixed-period payments—things that we were asked to do by Crisis and Shelter and others in the voluntary sector that work with the homeless. Things will get even worse in 2012-13, when the local housing allowance switches to a consumer prices index link. The benefit will then be completely disconnected from rent levels. Had that been done in 1999, by now people would be suffering a further 20% shortfall.

Will the Minister tell us what the effect will be on families? How many will have to move? What will the effect be on homelessness? What will the effect be on the number of families in bed-and-breakfast accommodation? What will the effect be on the availability of private rented accommodation? What have the responses been of private landlords to the Government? As many hon. Members have asked, what transitional arrangements will the Government introduce?

The Government have also announced a number of measures that will particularly affect the social sector. Deductions for non-dependence, as projected by the Chartered Institute of Housing, will impact on 170,000 people, who will all lose more than £900 a year. Typically, they are people whose children are aged between 16 and 24. Another measure that will affect the social sector is the proposal to limit working-age entitlements to reflect the size of family. According to the Chartered Institute of Housing, that could affect 180,000 people, to the tune of £2,300 a year. Will the Minister tell us whether he proposes that these deductions will be made when people's partnerships break up? Will we see women with children being forced to move because the partner has left the home? None of the social implications of the measures have been considered.

Perhaps the most vicious measure is the cutting of benefits by 10% after a claimant has been unemployed for 12 months. What possible rationale can there be for punishing the victims of the recession? Does the Minister not realise that, in London, eight people are chasing every vacancy? That cut is happening at the same time as a cut in support for those who are unemployed. It is pointlessly punitive. The CIH estimates that, overall, the measure will affect between 231,000 and 375,000 people by between £400 and £580 a year.

Has the Minister thought through the impact on lone parents? Forcing mothers of five-year-olds onto JSA will, by the Government's own estimate—it was published in the Budget policy assumptions document—result in only 10% of lone parents getting jobs within a year. That will leave 135,000 lone parents facing housing benefit cuts in 2013-14. That is utterly appalling.

The final little sop—to increase the discretionary housing payments by £40 million—is totally inadequate. It will not deal with the hardships caused by taking £1.8 billion out of the housing benefit budget. I hope the Minister will give us some answers, and that he will undertake to rethink these draconian measures.

12.19 pm

The Minister of State, Department for Work and Pensions (Steve Webb): This is the first time that I have had the pleasure to serve under your chairmanship, Mr Streeter. I congratulate the hon. Member for Hackney South and Shoreditch (Meg Hillier) on raising this important issue and on giving a number of hon. Members, particularly but not exclusively from the London area, the chance to air their views, which they have done effectively.

I have been advised not to run through a whole history of housing benefit because we do not have enough time. However, I will set out some of the thinking behind the reforms. The housing benefit bill has been rising inexorably: in the past five years, we have seen a 50% real rise in the bill when the numbers have gone up

by less than 20%. With £1 billion added each year, it does not take long before we are talking about serious money. The question is this: do we stand by and watch that or do we allow our constituents, who are on low wages and paying tax out of their low wages, to have a voice in this debate? A number of hon. Members said that the taxpayers' perspective relates not just to the well-off but to low earners as well. As the hon. Member for Brighton, Pavilion (Caroline Lucas) said, if we consider the whole tax burden, the tax impact on low earners is quite substantial.

What we cannot do is to continue to pay out blank cheques to private landlords—this is a blank cheque not to tenants but to private landlords. Rents have been going up and the state has been a passive observer. The housing market has demanded cash from us and we have simply handed it over. Then it has demanded more and we have handed it over again.

Margaret Hodge: Will the hon. Gentleman give way?

Steve Webb: Not at the moment. I will take some interventions, but first I want to set the scene.

If we do not have a blank cheque, what do we do? What is a legitimate way to say that someone who takes a low-paid job typically chooses a rent around the 30th percentile? That number has not been plucked from the sky. If someone takes a low-paid job, they do not have an unlimited choice about where they live. They cannot live in as big a house as they would like. They are constrained in where they live. Why should our constituents who take a low-paid job with all the associated uncertainties and who have to restrict their housing choice be in a worse position than those—I do not use the words "scroungers" or "apartheid", which have come from the Opposition Benches—who are, for example, unemployed? There is an issue about social justice.

Meg Hillier: The Minister is confusing things. In my constituency, people do not have a choice. To afford anything, they need the housing benefit top-up. That is because rent levels and the demand for property are high. If landlords do not rent to people on benefit, there will be plenty of people in the private sector who do not need benefit who will take those homes.

Steve Webb: Clearly, there is a differential impact in different parts of London; I do not dispute that for a second. Taking London as a whole, just a little under a third of properties will be available within the caps. Obviously, the figure will vary from area to area, and there are particular issues that affect central inner London.

Mr Mark Field: Will the Minister briefly give way?

Steve Webb: I will carry on just for now, because I want to respond to as much of the debate as I can.

The question is, how can we appropriately look at this matter? Some of the figures that have been quoted for losers assume that nothing changes and that people will go on living exactly where they are living and making the same choices, but the whole point of the reform is to have an influence on the housing market, and to try to do something about escalating rents.

Frank Dobson: Will the hon. Gentleman give way?

Steve Webb: I will not. I want to respond to the debate in the short time that is available to me. If we allow rents to go on rising as they are doing, how can we expect people to find the work that will enable them to pay those exorbitant rents? There are not the jobs that will enable people to afford to pay those rents. If we can do something about the rents that landlords charge, more people will find it worth working. At the moment, people get no return for work.

Several hon. Members *rose—*

Steve Webb: No, I will not give way. I said that I wanted to respond to the debate. *[Interruption.]* I am trying to respond. If I give way, I will not have time to do that.

The issue of the discretionary housing benefit was raised. We are tripling the budget; it is £20 million now and it will be £60 million in a couple of years' time. If we spread that thinly across the country, it will not go far, which is why, when we are allocating discretionary housing benefit we will have particular regard for the places in the country and the local housing markets where the changes will have the most impact. I am sure that the constituents of many hon. Members here today will see a bigger share of the money because of the points that have been raised. That is part of the answer to the question that was raised about transitional measures. Local authorities will consider on a case-by-case basis individuals who have been severely affected by our measures and for whom moving would be most disruptive, and, in those extreme cases, provide assistance.

The hon. Member for Hackney South and Shoreditch asked about timing. It is important that I place it on the record that I need to make some corrections. Nothing happens this autumn; nothing will change until next April. We have to put regulations through the Social Security Advisory Committee, so there will be a process of consultation on the regulations. The regulations will be laid before Parliament in October or November. There will then be a further six months before anything changes. As she rightly said, those are the changes that will go through secondary legislation. Some of the longer-term changes will require primary legislation, so there will be a further process of scrutiny and consultation.

I want to address some of the specific issues raised. The hon. Lady raised the issue of the rent levels relevant to the cap in her constituency. I understand that the broad rental market for inner east London is significant. I have looked at the figures for one-bed, two-bed, three-bed and four-bed properties at the 30th percentile in her constituency, and they are all at or below the cap. I am happy to supply her with the figures.

We have had many contributions to the debate. The extraordinary word "apartheid" was used and we heard about vast numbers of people criss-crossing London. There has been an awful lot of overstatement about the actual impact of the changes, particularly given that three out of 10 private rented properties will still be available after the change within the cap.

The issue of pensioners was raised. There was some suggestion that elderly people would be particularly adversely affected. I hope that the Chamber will recall that the local housing allowance that we have been

[Steve Webb]

talking about today, which is used in the private rented sector, applies only to 80,000 pensioners the length and breadth of Britain. *[Interruption.]* There was some implication that millions of pensioners would be affected by our measures. We are talking about only a tiny number of pensioners across Britain, and many of them live in regulated tenancies, which will be protected in any case.

Margaret Hodge: Will the hon. Gentleman give way?

Steve Webb: No, I will not. Hon. Members have asked about the impact assessment, statistics and parliamentary questions. The impact assessment will be published on 23 July. There was some suggestion that that had something to do with the timing of this debate. We do not control the timing of these debates.

Helen Goodman: But the Government control the timing of publication.

Steve Webb: We are publishing on 23 July to give us time to prepare the detailed statistics that the House wants to see. We know the aggregate impact, but the House wants some fine detail. I can tell the Chamber that the impact assessment will include the impact on groups at a national level, broad rental market areas, bedroom category, the availability of accommodation by broad rental market area, the households affected by caps by local authority and by Government office region, the households affected by moving to the 30th percentile and the distribution of local housing allowance and housing benefit award by case load and by housing benefit award intervals. Rather than drip-feed incomplete information, we want to give the Chamber comprehensive detailed information before the House rises for the summer recess.

One thing that is usually said in such debates is that people on housing benefit will not be able to find anywhere to rent. We have all come across anecdotal examples of that. Occasionally, landlords will not rent to people on housing benefit. *[Interruption.]* I hate to bring the facts to bear in this debate, but since November 2008 the number of private sector tenants on housing benefit has not fallen. It has risen by 400,000. If private landlords are not willing to rent to people on housing benefit, how come there are 400,000 more of them doing it?

Ms Buck: I refer back to my first question, which the Minister has not had time to answer. The majority of increase, according to the Department for Communities and Local Government, is in households that are placed in private rented accommodation by local authorities. That is why they have been able to access it, and they will no longer be able to access it in whole swathes of the country including London.

Steve Webb: As the hon. Lady knows—she is exceptionally knowledgeable about such matters—what is important is how the market responds to these changed incentives. If everything carries on as it is now, the reforms will have failed. We want an impact on the rental market so that we can end the situation in which people have huge rents paid for by the taxpayer that they cannot afford from the jobs they get.

Mr Gary Streeter (in the Chair): Order. Our time for this debate has gone. We now move on to the less controversial subject of the construction of nuclear power stations. *[Laughter.]* Will Members leaving Westminster Hall please do so quietly?

New Nuclear Power Stations

12.30 pm

Mr Ian Liddell-Grainger (Bridgwater and West Somerset) (Con): I am very grateful to have this chance to talk about an issue that of course affects my constituency enormously, as you know Mr Streeter.

The future of nuclear power is vital to my constituency and to the whole of the United Kingdom. That is why I am very grateful to have the chance to debate the issue today and I am delighted that my hon. Friend the Minister is here to respond to the debate.

It is no secret that we are running out of capacity to generate electricity. Existing nuclear stations are growing old and they must be replaced within the next seven years or—to be blunt—the lights will start going out. We cannot afford any more delays and I am afraid that, as a nation, we must take decisive action now.

The previous time I raised these matters in Westminster Hall, which was nine months ago, there was a different Government and many attitudes were different from those that exist now. Today I hope that I am preaching to the converted about the necessities and advantages of nuclear power.

In Bridgwater, nuclear power has provided reliable electricity to the grid since 1970 through the four reactors of the A and B stations, two of which, at the A station, have now been decommissioned. The B station has been given a five-year extension and is now owned by EDF Energy. We know that nuclear power works very well and is safe. We have a whole generation of local experts closely involved in the building, management and decommissioning of stations. Last October, we got the go-ahead to create the first nuclear academy in the United Kingdom at Bridgwater college. So there are many positive factors about nuclear power.

Of course, Hinkley Point is far from invisible—nuclear power stations cannot really be hidden. The existing station sits like a concrete castle overlooking the Bristol channel and dominates the skyline in one of the loveliest parts of this country. The plan is to construct a pair of new pressurised water reactors. Such reactors are tried, trusted and used safely all over the world. Two new reactors could pump out enough power to satisfy 4 million customers in the United Kingdom.

I make absolutely no bones about it—this is a massive operation. It will be the biggest ever civil engineering operation in the south-west. It will create 900 permanent jobs and roughly 5,000 people will be needed just to build the new plant. EDF Energy commissioned research into how the work would help the local economy. It estimates that £100 million will be spent every year during the building work and roughly £40 million a year will be spent thereafter, but I ask the Minister—is that enough?

Naturally, we welcome the concept of the new development. Of course we want to have the automatic boost to the local economy that building anything that big would bring, and yes, we need the contractors earning good salaries and spending their money in local shops. Bridgwater is an industrial town and we are very keen on business.

However, as a community, we have every right to ask for something more substantial in return. A nuclear power station is not like a supermarket. It is a gigantic piece of industrial machinery and the new development in my constituency would be slap-bang in the middle of some of England's loveliest countryside. A fair slice of compensation ought to be in order. Some of it could come in the form of old-fashioned folding money, which would be nice. Some of it could be invested in the local community with sensible, joined-up thinking, which would be nicer still.

Just a few moments ago, I mentioned the nuclear academy at Bridgwater college. Bridgwater college is a remarkable college run by dedicated people who deserve to be at the heart of the work, training the new generation of nuclear experts. You don't get owt for nowt. Bridgwater college put in the backwork, time and commitment to secure its place in the south-west hub for all nuclear skills training, as part of the nuclear skills academy. It is great to have the college, I am very proud of all its achievements and it has proved its worth, time and again, under the leadership of Fiona McMillan.

As the Minister will be all too aware, spending on education is in the spotlight, not just locally but nationally. Last week, the announcement about the Building Schools for the Future programme dealt a heavy blow in my area; I will come on to the reasoning behind that announcement shortly. We understand the pressures, we know that we must be prudent and we know that the BSF programme was not always very well organised, but Bridgwater college did an excellent job, in the same way that industry in Bridgwater does an excellent job. It produced sensible plans and everybody agreed to them.

Take it from me—cutting back on schools in Bridgwater now or in the future is not the answer to anything. That is especially true because of what we are going to do locally. Cutting back is not the answer if we want to encourage a new generation of professionals, which we must have. It is not the answer if we want to have home-grown nuclear experts, and it is not the answer if, as a Government, we want to have joined-up policy.

Our local schools were ready to sign the relevant documents on the very day that my right hon. Friend the Secretary of State for Education made his announcement about the BSF programme. Millions of pounds had been invested and a lot of it had come from the nuclear industry. Some of the building work had already begun and it made perfect sense to carry on.

How many other areas are about to build a huge new nuclear power station? How many other areas were as ready as we were with their plans for schools? Other areas were not ready.

Albert Owen (Ynys Môn) (Lab): I congratulate the hon. Gentleman on securing this debate. I would say that my area is ready. As with the nuclear power station in his constituency, Wylfa nuclear power station in my constituency has been decommissioned and a new build is happening on-site.

Does the hon. Gentleman agree that the skills that he is talking about are long-term skills to provide a job for life, that they are transferrable throughout the whole energy sector and that they are vital for the "green deal" that this Government are talking about?

Mr Liddell-Grainger: I totally agree with the hon. Gentleman and his point is well made. I think that the proposals for Wylfa are in phase 2 of the proposals for nuclear power. He makes a good point.

[Mr Liddell-Grainger]

As I was saying, the decision about the BSF programme does not add up. These schools in my area were due to be refurbished and built under the private finance initiative system. It was absolutely right that there should have been public investment in a local economy as good as ours.

Later today, I have an appointment to see the Secretary of State for Education and I intend to leave him in no uncertainty about what his announcement means for the programmes in my area that we are now looking at. However, I first want to offer my hon. Friend the Minister a few ideas that might help his thinking and that of his colleagues.

To build a new nuclear power station requires a reliable operating company, a shedload of money, a sensitive planning system and, perhaps above all, the ability to think outside the box. Deciding to put up a power station today means that we are planning for the next 60 to 150 years. It is ridiculous and completely unfair to see such things in terms of the conventional five-year life span of any Parliament. If we do not get this decision right now, we will be blamed by our children, by our grandchildren and, in the case of nuclear, by our great-grandchildren.

Therefore, I am afraid to say that cheeseparing on education with one hand while trying to nurture a skills academy with the other hand does not make sense to me or to anybody else. Everyone agrees that there is still a national deficit—we know that there is—and that there is a real need to be careful with the precious financial resources that we have. Equally, however, everybody knows that there are several ways to skin a cat.

Why will the Government not examine the possibility of using a proportion of the very substantial business rates that EDF Energy will have to pay to meet some of the extra needs of the community? It is not such an outlandish idea and it was mooted publicly just a few days ago by the Minister of State, Department for Communities and Local Government, my right hon. Friend the Member for Tunbridge Wells (Greg Clark), who is the Minister with responsibility for decentralisation. He suggested that some major developments should be allowed to take the lion's share of local business rates for the first six years of their existence. In terms of EDF Energy, that would mean a very healthy sum indeed to pay back to the community; it could amount to £40 million a year.

One might say that such a proposal is a form of legalised bribery and it sounds like an un-British way of going about things. However, there are quite a few solid examples of community funds that were deliberately established to compensate local people in the wake of major developments.

I am sure that my hon. Friend the Minister knows about the Shetland Charitable Trust, which was set up in 1974 when the huge oil terminal at Sullom Voe was built. Shetland council wanted to claw back money from the oil companies to help to compensate fishermen and because it felt that Sullom Voe was an ugly and unnecessary development. However, little councils do not have any power. Parliament pushed through the Zetland County Council Act 1974 to give Shetland council some muscle. The council now has £200 million in the bank and it shells out up to £13 million every year on special community projects. Sullom Voe is nothing like as heavily populated as Bridgwater and West Somerset. We would like a lot more money because, as the advert says, "We're worth it".

Another example is Cumbria, home to Sellafield, a nuclear establishment with even more history than Hinkley. The area is covered by Copeland district council, which negotiated a special deal with the Government in 2007 to get compensation for the inconvenience of looking after the nation's low-level nuclear waste. As the Minister knows, the deal involved the Nuclear Decommissioning Authority paying £10 million up front plus £1.5 million for every year of waste storage. In addition, the parish of Drigg and Carleton gets an extra £50,000 compensation a year for the next 60 years. That is seriously big money, given that only 600 people live there.

I know of many possible ways to spend such sums in and around Hinkley, in both our district council areas. One facility that we lack, for example, is a decent road that bypasses heavily populated areas and goes straight to the power plant. That is not a luxury; it is an absolute necessity given the huge number of lorries required during the plant's building phase, which will go on for seven years. It is possible to construct a direct link. I congratulate one of my constituents, an engineer named Alan Beasley, who has worked extremely hard to identify a feasible route that would upset the fewest number of people in the area.

We do not yet know what such a scheme might cost, but there are other local sources of money. The Minister might consider having a chat with some of our honourable colleagues about schemes that he could scrap. For instance, the £20 million earmarked for our schools will be used for something else, but £20 million is available next door. The Environment Agency is about to flood the Steart peninsula, which is about 600 yards from the plant at Hinkley. Flooding the peninsula will cost £20 million and is being done to tick boxes in Europe. The official reason is that the flood defences are too old and expensive to keep. Why can we not use that money to help with the nuclear project? The actual reason for the flooding of the peninsula is that regulations and directives on the conservation of wild birds and natural habitats are more important than human beings. I do not think that that is fair. We are all in favour of our feathered friends living happily ever after in the wetlands, but we cannot afford to fork out £20 million for the privilege. If the choice is a genuinely environmental one, a relief road will offer more real environmental benefits than obeying European directives to the last letter.

Like any nuclear power station, Hinkley is a national issue, not just a local one. Our creaking planning system is feeling the strain. The previous Government introduced a wildly extravagant quango called the Infrastructure Planning Commission, where EDF's plans might have gone for judgment. The new Government have scrapped the IPC and intend to let the Planning Inspectorate take on the task of helping to decide Hinkley's future. That may look like swapping one quango for another, but if I understand correctly, there will be one fewer quango. However, the complications involved in altering the planning process might lead to more delay, which would not be healthy.

More or less everyone agrees that the bad old days are gone when major projects such as motorways and airports were considered by public inquiries. Good riddance

to them. Public inquiries rambled on too long and often failed to reach any definite conclusions. The precise details could not be dealt with because so many activists wanted to argue the moral theories first. That is why years were wasted on the rights and wrongs of aviation rather than on exact plans to expand Heathrow.

Having got rid of the IPC, the Government's current idea is to let Ministers, advised by the Planning Inspectorate, make the final decision, and perhaps to hold a narrow public inquiry if it is really necessary. However, as far as I can see, the essential ingredient is a national policy statement on nuclear energy, to be ratified by Parliament. Without that, nothing can proceed. I am sorry to say that in July 2010, nine months after I first asked a question about it, we are still here pleading for a national policy statement. Can we please have it soon?

Since I have devoted so much of my speech to money, I ask the Minister to consider another glaring omission from the planning process. France builds nuclear power stations wherever it chooses because landowners and local communities queue up to claim the generous compensation packages on offer. Perhaps it is no accident that EDF Energy, the firm that wants to build Hinkley C and D, is a French company. In my neck of the woods, furious rows are going on about plans to build wind farms. That is not surprising, as the operators are offering pain but no gain to those who happen to live under one. However, in Spain, Denmark and Germany, significant local benefits are built into the fabric of all wind power projects. The companies involved often pay substantial local taxes. All that we have is a woolly voluntary system.

I believe that this Government genuinely want to reform planning for the better, but decent compensation is part and parcel of good planning. I ask the Minister to remember that Hinkley is vital for the nation, and to make it worth while to Somerset to build it.

12.45 pm

The Minister of State, Department of Energy and Climate Change (Charles Hendry): It is a great pleasure and privilege to serve under your chairmanship, Mr Streeter. I thank my hon. Friend the Member for Bridgwater and West Somerset (Mr Liddell-Grainger) for securing the debate and leading it with his normal approach of combining passion, vigour, commitment and enthusiasm with addressing the issues directly. He is absolutely right that this is a long-term decision, and we must see it in that context. Our decisions on nuclear will be some of the most important taken on energy policy by this Government. We therefore attach great importance to how those decisions are made and realise that they must pass the test of time.

My hon. Friend is also right to remind us that we are discussing national issues. A development such as Hinkley is of national significance, and it will play an important role in our future electricity generation, if it goes ahead. I totally accept the background to his argument. He raised several issues during his speech that do not relate directly to the work of my Department. I am pleased that he is meeting the Secretary of State this afternoon to discuss Building Schools for the Future and I will be interested to know the outcome. However, I am keen to set out clearly the approach of my Department and the Government to the building of new nuclear.

We set out a clear plan for nuclear in the coalition agreement. We are committed to allowing the construction of new nuclear plants, subject to the normal planning process for major projects and the fact that they should be without public subsidy. We will continue to take forward the national policy statement and the process through Parliament.

New nuclear has a clear role in the energy mix, but we are certainly alive to many people's concerns about the costs of such activities, so we are absolutely clear that there should be no public subsidy. In that respect, our position is broadly the same as the previous Government's. It is for private sector energy companies to construct, operate and decommission plants, but it is for the Government to ensure that there is appropriate safety, security and environmental regulation.

We will ensure that the taxpayer is protected now and in the future from such costs. Operators will be required by law from the outset to set aside money to pay for long-term waste management costs. Having considered various possible subsidy issues, we will ensure that the taxpayer is protected. I am encouraged that despite those restrictions, which are some of the toughest in the world, Britain is nevertheless the most exciting place in Europe—perhaps in the world—for the construction of new nuclear plants. Many companies are keen to invest on that basis.

We are also committed to removing barriers to investment. The work of the Office for Nuclear Development has been fundamental to that, as has the nuclear development forum, which considers how to address the practical issues that can present challenges. On that basis, we will drive forward work on planning, regulatory justification, the generic design assessment and waste and decommissioning financing arrangements. The Government are required to undertake regulatory justification. We will take a decision after we have finished considering responses to the recent public consultation on how best to proceed.

On waste and decommissioning financing, we must redouble our efforts to deliver a framework for dealing with the costs that protects the taxpayer and provides both taxpayers and operators with clarity. The consultations on the fixed unit price and waste handling regulations have closed. We are now considering our responses carefully and will respond in due course.

I know that, to the companies proposing plans for reactor designs, the process for the generic design assessment is fundamental. I am encouraged by the nuclear installations inspectorate's recent comments that it is on course to conclude by June 2011. The Environment Agency is consulting on its preliminary findings.

We have also indicated that there needs to be reform of the nuclear regulator, which must be structured and equipped to meet current and future challenges. In its role as a nuclear regulator, the Health and Safety Executive has responded to those challenges, but I am persuaded that reform is needed to meet the specific challenges of the sector. I want an effective, efficient and independent nuclear regulator to ensure that we have transparency and accountability. Those are some of the big national issues that we have to take into account as we consider how the programme moves forward.

I want to pick up on my hon. Friend's concerns about the planning system. We have said that we are determined to reform the planning system. The changes made by

[Charles Hendry]

the previous Government addressed some of the issues about the speed of the process, which they were right to identify, as applications and considerations could sometimes go on for years. They put in place a process to deal with that, but it did not have democratic accountability.

We have decided that national policy statements should continue to be an integral part of the process, but that they will be subject to a substantive vote in Parliament. That will give national policy statements greater democratic legitimacy and reduce the risk of judicial review. Following the consultation on the national policy statements, we were required to take account of the public meetings and the thousands of submissions that were received, which we are currently considering. I assure my hon. Friend that we will set out our further consideration on the NPSs as soon as we can, because we understand how significant the matter is to all those involved in the sector.

My hon. Friend also correctly identified the changes that we intend to make to the Infrastructure Planning Commission. Again, we thought that that organisation lacked democratic legitimacy. The changes will mean that the back-office function and the analytical work carried out on individual applications will be done by a dedicated unit—the major infrastructure planning unit—which will come under the Planning Inspectorate. Instead of the unit's recommendations going to a competent but, nevertheless, unelected quango, they will go to the Secretary of State.

For those who are concerned about the time scales, I can give a clear assurance that there will be an obligation on the Secretary of State to make a decision within the same time scale under which the IPC would have proceeded, so there will be no delays. Critically, an application under the transitional arrangements will continue under the same jurisdiction in which it started. There is no risk that an application made under the current system will have to be started again from scratch when the changes come into place. We want to make sure that people who are investing know there will be certainty about the time scale in which the process will move forward.

My hon. Friend also talked about business rates. It is proper to debate the wider issue of whether allowing some business rates and new business activities generally to be kept locally is a good way of encouraging local authorities to stimulate business activities in their areas. On energy issues—this picks up on the final part of his speech—we have said that we are keen to build a new relationship between energy installations and the communities that host them. If a community is hosting something such as a wind farm on behalf of the wider interest and not purely for the benefit of that community, it is reasonable to find ways of recognising that.

We want to find new ways of achieving shared ownership so that direct funding returns come into a local community. We also want to consider how the business rates that become payable as a result of that development can be maintained locally for the first few years. We are in discussions with our colleagues in the Department for Communities and Local Government to see how broadly based that approach can be, because if that same approach were to be applied to a nuclear power facility, as my hon. Friend said, many tens of millions of pounds would come into the local community, which would make a significant contribution towards the infrastructure and educational changes that might be necessary. I am holding continuing discussions with my colleagues in the DCLG on that basis, and we understand the need for early clarity.

On the specific application at Hinkley Point, EDF is carrying out consultations in preparation for submitting a planning application. Realistically, we think that nothing will come forward until this winter or next year, by which time we would expect the national policy statements to have gone through the parliamentary approval process. Given the legal constraints on those issues, I hope that my hon. Friend will understand that there is a limit to what I can say at this stage. We have found the consultation process extremely helpful in understanding the wider picture and the views of local communities and national organisations.

Albert Owen: The Minister is being as helpful as he can. On the planning issues, he indicated earlier that when the recommendation is made to the Secretary of State, the same time frame that existed under the old system, which did not get a chance to develop, will be used. Will he indicate roughly what period that will involve? If the companies and developers are going to submit this autumn, when is the unit likely to make its recommendation to the Secretary of State, and how long will the Secretary of State take?

Charles Hendry: A consultation process is ongoing. The expectation of the IPC was three months, and we will be looking at the same sort of period. We will be able to provide further clarity in due course. The other advantage of our approach is that it reduces the risk of judicial review. If someone who is accountable to Parliament—someone who can be called before Select Committees, or who can attend debates in Westminster Hall and elsewhere—has responsibility for a decision, it can clearly be shown that that has received greater democratic scrutiny and it is therefore more robust.

My hon. Friend the Member for Bridgwater and West Somerset also rightly mentioned nuclear waste. We must focus clearly on how we manage the new generation of nuclear waste and spent fuel, as well as the legacy issues. When the Secretary of State and I visited Sellafield recently, we were both struck by the magnitude of the challenge facing the Nuclear Decommissioning Authority. It has put in place significant measures to try to deal with nuclear waste and we now have a system that addresses the magnitude of that challenge. However, we must also ensure that measures are in place to deal with the safe disposal of the new waste that will be generated as a result of a new-build programme.

On the hosting of installations, we have been encouraged to note that three local communities in Cumbria have come forward. We are certainly keen to know whether other communities wish to come forward, because we are absolutely committed to a voluntarist approach. The process will not work if it involves the Government saying to a community, in a national lottery style, "It's going to be you." The local community must buy into the process, be keen to participate and understand the benefit that it would get from hosting a facility. It has been instructive to see how that has been done elsewhere. A couple of years ago, I went to Sweden to look at how

it is carrying out such a process. Two communities were bidding against each other to host a facility because they could see the benefits. It is clear to us that that will be an important part of the process as we go forward.

We recognise that if we are to stimulate the sort of investment that my hon. Friend talked about, further signals to the market will be necessary. There is a great deal that we can do to remove regulatory burdens and streamline the process. However, at the same time, we recognise that there needs to be greater clarity about the carbon price. I am therefore pleased that my right hon. Friend the Chancellor announced in his recent Budget that a consultation on the carbon price will take place this autumn, with a view to setting a floor price. Investors need to know what carbon price they will be paying when these plants come online. It is important to state that such a measure is not a subsidy for nuclear, because we believe that the carbon floor price will drive investment in all low-carbon technologies—nuclear, coal with carbon capture, and renewable technologies. That is one of the most important decisions we will make during this Parliament for the sector.

Finally, I shall mention some of the education issues. It is clear that the people who currently work in the nuclear industry are part of an ageing work force—some 80% of today's industry work force will retire by 2024. Those people have fantastic skill sets and an enormous amount to contribute to the industry, but we must do more to bring a new generation of people into the sector. I am pleased that there have been collaborative projects—for example involving the nuclear advanced manufacturing research centre, to which the Government have committed more than £33 million. That will help to ensure that we take forward opportunities and bring business into the UK supply chain, which we consider to be an important part of the issue. My hon. Friend mentioned the facilities at Bridgwater college. I am glad that it will receive more than £4 million to launch the south-west energy skills centre, which is a specialist nuclear skills training centre. I am also encouraged that EDF already trains about 2,500 people a year nearby at Barnwood, which shows some of the commitment that it is bringing to the sector.

In conclusion, this could be one of the most important energy and industrial sectors for Britain. My hon. Friend is right to say that it is a national issue that needs to be treated as a national challenge and opportunity. I hope that what I have said reassures him of the seriousness with which we are addressing the matter.

Sarika Singh

1 pm

Ann Clwyd (Cynon Valley) (Lab): I am grateful to have secured this debate, and to be here under your chairmanship, Mr Streeter. I welcome the new Minister to his post. I hope he hears what I am saying—I welcome the new Minister to his post.

Sarika Watkins-Singh is a young Welsh Punjabi Sikh. In November 2007, as a 14-year-old, she was excluded from Aberdare girls school in my constituency, for refusing to remove the kara, a steel bangle that she wore as an integral part of her Sikh religion. The headmistress had told Sarika that she was not permitted to attend the school wearing the kara, and tried teaching her in isolation, away from her friends and fellow pupils. However, Sarika rightly and bravely continued to argue that she should be allowed to wear the kara, and so the headmistress excluded her from the school.

This has been a sad case from the start, because all that was needed was a bit of common sense and not much more than a cursory understanding of the law. I told the school, first privately and then publicly, that it was making a mistake, and that its action represented a considerable injustice to the young girl. I told the school that if it persisted it would cost it money. I met Sarika and her mother and tried to speak to governors of the school. I spoke to colleagues here in the House of Commons and was told that the civil liberties organisation, Liberty, had already become involved. It seemed clear to me that the school's action contravened the Race Relations Act 1976, the Equality Act 2006 and the Human Rights Act 1998. I urged the school and its governors to think again, and to act in the interests of good race relations. Unfortunately, the school stubbornly stuck to its position.

Sarika, showing courage and determination far beyond her years, continued to stand up for her right to practise her religion and exhibit her Sikh identity, and she pursued a legal case against the school through judicial review. Of course, she won her case, just as I had predicted. The High Court found that the school had indirectly discriminated against Sarika on the grounds of race, contrary to the Race Relations Act, and on the grounds of religion under the Equality Act. As the constituency MP, I repeatedly warned the school and the governors that they should uphold the law and not waste public money on the case. My advice was simply ignored.

In the aftermath of the legal case, it seemed to me that the school had some big questions to answer. It was obvious from the start that the school would lose the legal case but it stubbornly went ahead with fighting it, at, I suspect, considerable expense to local taxpayers. I then asked, on behalf of my constituents, how much the legal case had cost the school and from where the money to pay for it would come: would it come from the school's budget—the budget to pay for school books, teachers and resources for the pupils' education—or had the local authority agreed to provide other public money to support a foolish and unwinnable case? I also wanted to know how the decision to fight the case had been reached. Obviously, I am not a lawyer, but it seemed pretty clear that the school would lose. What legal advice, therefore, had enabled the school and its

[Ann Clwyd]

governors to come to their ill-informed decision to defend their position? The school is, of course, a public authority for the purposes of the Freedom of Information Act 2000, and so under that Act I requested that information—and more—of the school's governing body.

I am sorry that this is a lengthy list of events, but it is important to put it on the record. In brief, I first wrote to the chair of governors on 20 February 2008. Following exchanges of letters, it was clear that I was not getting answers on what public money was being spent on the case. I therefore notified the school in March 2008 that I intended to make requests under the Freedom of Information Act. I wrote again to the school on 15 May 2008, requesting that an internal review be conducted, a step required of me before I made any complaint to the Information Commissioner. After the school refused my request, I contacted the Information Commissioner on 29 July 2008, requesting answers to my questions. I also sent a copy of the letter to the school.

I received a reply from the Information Commissioner on 11 September 2008, recommending that the school issue me with an internal review decision within 20 days. The school replied on 16 September 2008, stating that the internal review

"had been delayed by the intervening court case and school holidays".

It said that my requested review would therefore take place on 24 September 2008. On 23 October 2008, I was notified by the clerk to the governing body that the only answer that the school would disclose was that the judicial review claim had, to date, cost the school £76,699.40.

Following the legal case, I began a fresh request for information in March 2009, by which time there was a new chair of governors. I requested the information and the school ignored my letter. I wrote again on 16 April 2009, and the school denied having received my first letter. The chair of governors then acknowledged the copy that I sent to them of my letter, but was not able to provide any of the information. I replied to him in May 2009, suggesting that we extend the deadline by another 20 days. The school then replied on 27 May 2009, refusing to provide the information, but not giving appropriate reasons in line with the Freedom of Information Act. I wrote to the school on 9 June 2009 asking it to conduct an internal review of its decision to refuse to provide the information. The school replied on 6 July 2009, sticking to its decision to refuse to provide the information. I wrote to the Information Commissioner on 15 July 2009, initiating a complaint under the Freedom of Information Act. The Information Commissioner's Office wrote to the school on 7 October 2009, and the chair of the governing body wrote to me on 8 October, disclosing that the costs in relation to the judicial review had escalated to £170,000.

The Information Commissioner had given the school until 4 November 2009 to provide a copy of the disputed—withheld—information and to give any further arguments it had for withholding information. On 23 November 2009 the Information Commissioner said:

"Unfortunately, the authority initially struggled to understand the role of the Information Commissioner's Office (the ICO) as regulator of the Freedom of Information Act 2000…I am however pleased to confirm that it now has a full understanding of our role and is working towards providing a full response by the 7th December 2009".

Three weeks later, the Information Commissioner wrote again, saying that, unfortunately, despite her assurances in her letter of 23 November 2009 that the authority now had a full understanding,

"it appears that the Authority still does not fully understand the role of the ICO. The Commissioner has today therefore issued an Information Notice to the Authority…compelling a Public Authority to provide the Commissioner with a copy of the disputed (withheld) information. The Authority has 30 days…from the date of the Notice to comply. Failure to comply may result in the Commissioner making written certification of this fact to the High Court…I do however hope that this will not prove necessary".

We are now in July 2010, and I am still being sent around in circles. I believe that the school fully understood the situation but was still playing for time. In a letter dated 19 January 2010, the Information Commissioner told me that the 30-day deadline for a response from the school had passed. The ICO said that it was writing to the governing body again, giving it a further 14 days to respond, and thanked me for my continued patience. My patience has now run out.

On 20 January, the ICO said that the matter had been passed to the Information Commissioner's solicitors because the school had appealed to the First-tier Tribunal (Information Rights). The ICO informed me on 27 April that it had decided to cancel the first information notice, and that it had written on two further occasions to request the information from the school, but that the information remained outstanding.

In my letter of 17 May, I asked why the original information notice dated 17 December 2009 had been cancelled. I was told that it was on the advice of the ICO's legal team, because—it is worth emphasising this—the governing body of Aberdare girls school had complained that the notice was addressed to Aberdare girls school rather than to the governing body of Aberdare girls school. The ICO admitted that that was an error and sincerely apologised for it, but clearly this is just another excuse by the school for yet further delay.

The ICO issued a second information notice in May 2010, but the school appealed to the First-tier Tribunal (Information Rights) on 27 May. In a further letter on 27 May, the ICO stated that it cannot make further progress in the investigation of my complaint until the tribunal makes a decision.

More than two years on, that is where the case sits now. I am told by the ICO that further progress cannot be made with the investigation of my complaint until the tribunal has ruled on the appeal, and that that is likely to be some months away. In effect, the school has run rings around the law to avoid explaining how much money has been wasted on a stupid, ill-considered action to defend the indefensible.

The Campaign for Freedom of Information published a report in July last year about delays in investigating freedom of information complaints. Its survey showed long delays in the processing of such complaints. The report states:

"The severe delays described here are sufficiently serious and widespread to undermine the FOI Act's effectiveness and public confidence in it."

That is very much my view.

I am aware that the ICO's annual report will be published tomorrow. Perhaps the Minister might be able to say something about that. However, whatever the deficiencies in the ICO or the law, the advent of the

Freedom of Information Act should be celebrated. It was one of the triumphs of the Labour Government, and it enables us, the public, to subject public authorities to the kind of scrutiny that was never possible before. It gives us access to all the inconvenient and embarrassing bits of information that some public authorities would rather not disclose.

However, public confidence and the effectiveness of the Act are being undermined by the difficulty in pursuing complaints against authorities that refuse to release information that the Act requires them to release. The problem is that it is just too easy for public authorities to obstruct the process. If they ignore enough letters, miss enough deadlines and pretend that they do not really know what is happening and why, they will be able successfully to evade an information request for a long enough period to diminish the detrimental impact, reduce embarrassment and avoid the accountability that release of the information would cause. In this case, a possible reorganisation in the near future of the school concerned means that accountability can be brushed under the carpet because it suits the authority concerned.

I assure the House that I will not let this case rest until the truth—the whole truth—comes out, and those who are responsible for what has been done to their community and for impoverishing the resources of the school are named. Their actions have been irresponsible and a disgrace. Deadlines must be more strictly enforced. A reply being required within 20 days should mean that failure to provide a reply in that time is a breach of the Act and subject to sanction, and failure to release information that is required under the Act should also be a breach of the Act and subject to sanction.

The Sarika Singh case received national news attention. It led on the "News at Ten" and made the headlines in many newspapers. It was a long and arduous case for a courageous 14-year-old schoolgirl to go through, and it was an important and contentious case for my constituents. It established important precedents for schools throughout the country in respect of respecting pupils' rights to give expression to their religion. The public have a right to know how the governing body of Aberdare girls school came to its decision to pursue the legal case and, in particular, how much public money was spent.

Yesterday, I received an addition to my vast file of correspondence on the subject. I received a letter from the commissioner, which states:

"I very much regret that this case is taking such a long time to resolve. You may know that the public authority in the case is strongly resisting my Office's investigation. Most unusually, I have had to resort to the Information Notice procedure to secure cooperation and both Notices have themselves been appealed... This case is most untypical of Freedom of Information Act casework undertaken by my office."

The case has cost the school at least £170,000, but I do not yet know whether that is the full extent of it. The final figure is yet to be revealed—it may well be much more. As an elected representative, I have asked questions of the school and its governing body on behalf of the public. All the information is held by the school, and none of it is difficult to provide. I believe that the reasons for non-disclosure have been to shield those who are responsible from the disapproval of the public for reasons that they may now regret.

1.18 pm

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): I congratulate the right hon. Member for Cynon Valley (Ann Clwyd) on securing this debate on a matter that I am sure will be of interest to many hon. Members because of its wider impact. I thank her for working with the Justice Department in preparation for the debate and would like to say up front how much I admire her determination in this case to seek transparency from a public body as provided for by the law.

The Government are committed to enhancing transparency, as was made clear by the coalition agreement. We are already making available a wide range of information in line with the agreement. For example, the Treasury's combined online information system, or COINS, database on UK Government expenditure, which was provided by Government Departments, has been published at www.data.gov.uk. The website also has information about special advisers working in Government Departments, as well as the numbers of staff, consultants, contractors and agency staff working in Departments, agencies and non-departmental public bodies.

That is just the start. Much more information will be made available over the coming weeks and months to increase transparency and accountability in the public sector. Of course, proactively making information available forms just one part of our commitment. Ensuring the effective operation of the Freedom of Information Act is also key to transparent and accountable government. It is vital that the public be able to request information that is of interest to them directly from public authorities, and that that is provided where it is in the public interest to do so. But the buck does not stop with the public authority. It is equally important that the Act be enforced in a robust and timely manner by the Information Commissioner. The same applies in relation to the other legislation that the commissioner has responsibility for, such as the Data Protection Act 1998.

The issue of robust and timely regulation is the focus of this debate. The right hon. Lady is right to be alert to the challenges that continue to be posed by the maintenance of a robust and efficient FOI regime. However, I hope that she will understand that it would be inappropriate for me to comment on the specific case at the heart of this debate, as it is ongoing and is the subject of an appeal to the First-Tier Tribunal General Regulatory Chamber.

The right hon. Lady has made plain her feelings about the situation. She is correct to identify delays in processing requests at the Information Commissioner's Office, which were highlighted in the report published in July 2009 by the Campaign for Freedom of Information, as she mentioned. She also noted that the original information notice was wrongly issued due to ICO error, but that she has received an apology from the ICO in relation to that.

The CFI report highlighted a catalogue of delays based on an analysis of almost 500 decision notices issued by the Information Commissioner's Office between 1 October 2007 and 31 March 2009. The report calculated that it took an average of 19.7 months to issue a decision notice and stated that it took between one and two years to issue a decision notice in 46% of cases. In one quarter of cases, it took between two and three

[Mr Jonathan Djanogly]

years to issue a decision notice. Although those figures say nothing of the many cases that were resolved informally, without recourse to a decision notice over the period, it was still a pretty damning picture. However, very significant progress has and is still being made to rectify that situation.

The current Information Commissioner, Christopher Graham, took up office in June 2009, just before the Campaign for Freedom of Information published its report. Following his appointment, Mr Graham recognised the impact that the backlog of cases has had on the performance of his office and announced his intention to

"put a shock through the"

FOI

"system".

The clearance of the backlog of FOI cases was identified as one of his top priorities. I am pleased to say that he has made significant progress in clearing the backlog of old FOI cases that he inherited. In the first three months of 2010 alone, for instance, more than 1,000 cases were closed; the number of cases over one year old was halved; and the average age of cases fell by 34%. Those impressive results have continued. Between 1 April 2009 and 1 April 2010, the number of cases more than two years old fell by 91% and the number of cases more than one year old fell by 72%. That is a very significant achievement, of which Mr Graham and his staff can be justifiably proud, especially in the face of rising demands for the ICO's services. However, both Mr Graham and the Ministry of Justice recognise that there is no room for complacency. Efforts to maintain and improve the level of performance must be maintained.

The commissioner will publish his annual report tomorrow, as the right hon. Lady said. Although she will understand that I cannot disclose its contents today, I have no doubt that she will be encouraged by the progress that it will show.

The current economic climate is, of course, extremely challenging, but the Government are committed to providing the ICO with the best deal possible to maintain its progress and to fulfil its vital role. I have to say that this is not just about money; it is also about people and expertise. I am sure that the right hon. Lady will be interested to know that three experienced caseworkers have been seconded from central Government, helping to cut through the ICO's backlog.

The commissioner has made great strides to improve the efficiency of his operation to provide increasing value for money. That is evidenced in the remarkable increase in case clearance that I have just mentioned. The programme of work is holistic and ongoing and includes a fresh look at all processes; the integration of FOI and data protection staff to achieve greater flexibility in the ICO's resources; the introduction of a triage system for casework; greater emphasis on the informal resolution of cases; the production of more concise decision notices; and increasing the numbers of staff authorised to sign off formal decisions.

Of course, the speed with which requests are dealt with is only one part of the picture. An effective commissioner must have sufficient enforcement powers to hand to perform his role—a point made strongly by the right hon. Lady—including the power to require a public authority to provide him with information through an information notice, and a power to require a public authority to take a particular course of action, through an enforcement notice. The commissioner has stated that he will readily use those powers against public authorities and has increasingly done so. It is worth bearing it in mind that non-compliance with either an information or enforcement notice from the commissioner is a criminal offence. That has been key to ensuring greater compliance from recalcitrant authorities. However, in a democratic society, it is only right that a public authority has a right of appeal against such notices and the FOI Act provides for that.

Sometimes the process can feel frustratingly slow for those trying to access information. The right hon. Lady knows how it feels, as she said during her long description of what she had to go through. I understand that she wanted to put the process on the record so that we can learn from what happened in her situation. However, we should not allow frustration to override the right of public authorities and requesters to challenge decisions where they think they have a right to do so.

Debates such as these prompt us to reconsider whether the ICO's powers of enforcement and public authorities' right of appeal are appropriate, fair and balanced. I can assure the right hon. Lady that we will keep returning to the matter, because it is of central importance in ensuring that both individuals and organisations can exercise the rights that we want them to have. Any unnecessary obstacles, such as delays, must be—and are being—tackled to make sure that personal data are protected and that information that should be released is released as quickly and efficiently as possible.

It is important that we continue to support the commissioner, as his work is at the heart of the Government's transparency agenda. The commissioner will publish his annual report tomorrow and the right hon. Lady will have the opportunity to see it. I am sure that she will be pleased to note the steps that the Government have already taken and will continue to take to make more information available to the public, shedding light on public affairs, from the corridors of Whitehall to the meeting rooms of borough councils and local schools.

The right hon. Lady specifically asked me to say whether the commissioner has enough power to regulate the freedom of information regime effectively. We believe that, as things stand, that is so. The powers are there. The commissioner can issue information notices, which require public authorities to provide the information requested, and can issue enforcement notices that do not require an initial complaint to be made to the ICO. One can technically start off with an enforcement notice straight away, if it is appropriate. It is a criminal offence not to comply with those notices, and if public bodies do not comply the commissioner can refer the matter to the courts to be dealt with as contempt of court.

Under section 49 of the Freedom of Information Act, the commissioner presents annual reports to Parliament, as will happen tomorrow, on the exercising of his functions and can lay further reports as he sees fit. Those reports can raise criticisms of public bodies' handling of FOI. Furthermore, under schedule 3, if the commissioner reasonably suspects that public bodies are failing to comply with any of the requirements of

the Act, he can seek a warrant from a circuit judge, granting the ICO the right to inspect premises, seize information and retain it for as long as necessary, unless it is under cover of legal privilege.

Minor Injuries Services (Devizes)

1.30 pm

Claire Perry (Devizes) (Con): I am grateful to you, Mr Streeter, for chairing the debate. I believe that your constituency is also devoid of minor injuries units, so you might pay particular attention to the debate. I am also grateful to colleagues, including my hon. Friend the Member for North Swindon (Justin Tomlinson), for taking time out of their hectic schedules to attend. I am grateful to my hon. Friend the Member for Hexham (Guy Opperman), who, as many will know, worked selflessly on the judicial review that resulted from the shutdown of services at Savernake hospital. If I had a pound for every time I was told during my selection campaign, "If Guy Opperman was standing, you would not stand a chance," I would be a very rich woman today. Thankfully, we have both made it to this place and can campaign together on this and other important topics.

I am also especially grateful to the Minister for attending, as I know that the launch of his team's momentous proposals yesterday means that he must have an extremely long "to do" list. I would also like to mention briefly my local paper, the *Gazette and Herald*, which is a tireless campaigner against the loss of our local health services, as well as the hundreds of other individuals in the constituency who have protested, petitioned, written letters, held meetings and tried their best to roll back the tide of closure and service erosion.

I want to mention briefly the DASH2 group—Devizes Action to Save Our Hospital—and the new Devizes health matters forum, which was set up only this month to try to resolve the impasse we have reached. I will also mention the CASH group—Community Action for Savernake Hospital—which fought long and hard to keep open the day hospital and the minor injuries unit at Savernake hospital in Marlborough. That hospital was completely rebuilt in 2005 under a PFI contract that will cost taxpayers almost £70 million over 25 years, but the services at its core—the day hospital and the minor injuries unit—closed less than a year after it reopened. The hospital now hosts a multitude of services completely unrelated to local health care, such as the eating disorders clinic for patients of the Oxfordshire and Buckinghamshire mental health partnership, while Wiltshire primary care trust scrambles to pay its unitary charges.

For my constituency, which is the 25th largest in England by land area and home to more than 91,000 people, the past 13 years of NHS management has meant multiple top-down initiatives, a continual reshuffling of priorities and the management of local health services by quangos. The result is clear: a slow and steady erosion of our local health services, despite the protests of clinicians, patients and politicians. Let me refresh people's memories of what we have lost. In the Devizes hospital, the UNICEF award-winning maternity unit, the in-patients' facilities, the minor injuries services and now the X-ray department have all gone. In Marlborough, the day hospital, the maternity unit, the minor injuries facilities and now 50% of in-patient beds have also gone. That pattern has been replicated throughout the rest of Wiltshire as services have been farmed out to neighbourhood or community teams—they

[Claire Perry]

can deliver good outcomes in some cases, but not all—or concentrated in larger hospitals in Swindon, Bath and Salisbury.

In January 2007, Wiltshire PCT set out its vision for services in the now infamous document "Reforming community services in Wiltshire", which announced the closure of minor injuries units in Devizes and Marlborough and the axing of a host of other services, which was driven in large part by the burgeoning financial deficit that the PCT had inherited after the merger of three other organisations. In my view, the loss of reliable local minor injuries services was the most keenly felt of all the changes. My constituents literally have nowhere to go locally if they suffer a fall, cut, wound or some type of minor trauma. Nurse practitioner-led minor injuries units had served the constituency well for years. They were well used, cost-effective in comparison with sending patients to far more high-spec accident and emergency departments, and extremely popular. Indeed, with the exception of the head of the PCT, I could find no one—literally not one person—who though that it was a good decision to close those minor injuries units and ask people to travel instead to Trowbridge, Chippenham, the Great Western hospital or a walk-in centre in Swindon, the Royal United hospital in Bath or Salisbury district hospital.

My constituency ranks among the 20 lowest by population density in England, with only 20 people per hectare. Members who have visited Devizes—I hope that many will—will know that there are almost no dual carriageways, no railway connections between our major towns and few direct bus services. As a result, there are extended journey times, which is particularly problematic for families or individuals without full-time access to private transport, who account for 25% of the people in Devizes.

Justin Tomlinson (North Swindon) (Con): I thank my hon. Friend for giving way in this crucial debate that she has secured for Wiltshire residents. I want to highlight a concern that supports her specific point about public transport. When the Great Western hospital in Swindon was set up in my constituency, there was an emphasis on green travel, so there was a limit on parking provision. The residents of Devizes who are sent to Swindon almost invariable come by car, and there simply is not adequate parking provision.

Claire Perry: I thank my hon. Friend for that important point. We have built hospitals following the sound principle of encouraging local travel and walk-ins, but the major service review forgot that most bus services do not run to the existing services from the places where minor injuries services used to be provided. In fact, it is impossible to take a bus from Marlborough to any of the six suggested units for minor injuries services.

I was interested to learn what the current PCT guidance recommends, so last night I phoned NHS Direct and asked what I was to do if I had a bad cut and lived in Pewsey, which, as many will know, is in the centre of my constituency and, as home to around 4,000 people, one of the largest villages in the area. I was advised to go to Swindon hospital's A and E unit, which is considered to be a journey of only 16 miles. However, as we know, the concept of "as the crow flies" does not give a good indication of distance in rural constituencies. In fact, a simple search on Google maps reveals that that journey takes between 38 and 46 minutes by private car, which is far too long for a mother of a child with a bleeding head wound, or the carer of an older person with a fracture that needs immediate attention.

Let us consider the journey that the residents of Honeystreet, a lovely village in the heart of my constituency, would be advised to take to get to the nearest service. By private car, it would take them 37 minutes to get to Chippenham hospital, or 40 minutes to Trowbridge hospital. In fact, there is only one other constituency with a lower population density and no minor injuries provision: South West Norfolk. Most of the other spread-out rural constituencies are blessed with more than one such unit. Indeed, they trumpet their facilities as being appropriate for populations in a rural area. North Devon has four units, Rutland and Melton has three, and the nearby constituency of The Cotswolds also has three units. Those constituencies all have population densities that are similar to or slightly lower than that of Devizes.

We might all be asking how the situation has arisen. I submit that it is because decisions about our local health care have been taken by decision makers who were unelected and unaccountable, and often uninterested in the local consequences of their actions. It was not because they were bad, malicious or unintelligent—there are many good and dedicated health care professionals in the PCT—but because the whole system rewarded top-down compliance with central Government diktat and ignored the needs and wishes of the population. Indeed, when I went to see the head of Wiltshire PCT only last week about the proposals in the White Paper that we have heard about, he said that he had no intention of reopening the minor injuries units that we have lost and that there was no case for doing so. I would like the Minister's opinion of whether a case can be made for those services.

I would like to cite four facts to frame the debate. The population in my constituency, as is the case across much of rural Britain, continues to grow. There is a population flow from the cities to the villages and hamlets of the UK. The population in my constituency has increased by 5% since the turn of the decade. Indeed, part of the support for the redevelopment of Savernake hospital resulted from the prediction of 20% population growth in the Swindon area.

The Alberti report "Emergency Access", which was published by the NHS in 2006, suggested that it was better clinically and more cost-effective to send patients out of A and E departments and into local urgent care centres where more nurses, paramedics and nurse-led emergency care practitioners could be used to treat them. I am grateful to the PCT for providing data showing that, in the past year, there have been 17,086 attendances by patients registered in my constituency at the minor injuries units in Trowbridge and Chippenham, and the A and E departments in Salisbury and Bath. As I have already stated, the journeys that people have to take to access those facilities are unacceptable. The cost of providing the services at the current tariff is £1.352 million.

With our new localism agenda, and given the cost that the PCT is paying for minor injury services for my constituents, surely a business case could be made for restarting a minor injury service in the constituency, as

long as the total cost was below the current tariff. Some doctors in Devizes and Marlborough have expressed an interest in restarting the service and having it delivered by nurse practitioners located in their practices. Premises are certainly available in which the service could be located, including the half-empty and shuttered Savernake hospital.

Will the Minister tell us how, in the light of our NHS reforms, we can move the process forward? The current PCT, which will be in existence for at least another two and a half years, has no interest in recommissioning the service, so can we go around it in the interim period and use sustainable communities legislation, for example, to get back those services that we so desperately need?

Duncan Hames (Chippenham) (LD): I commend the hon. Lady on securing the debate. Some years ago, when the closures first happened, we petitioned Wiltshire county council's health overview and scrutiny committee to intervene on our behalf. I will be grateful if the Minister indicates whether it had a role to play in standing up for the residents, constituents and patients who have written to the hon. Lady and me. Melksham in my constituency has lost its minor injury unit, and it was far closer to her constituents than the one in Chippenham.

Claire Perry: I thank the hon. Gentleman for that excellent point. It is interesting that a subtopic of the debate is the PCT's failure to deliver a new primary care centre in Devizes, which was promised as part of the quid pro quo when the closure announcements were made. When I suggested last week that perhaps the time had come to rip up the original plans that seem to be stymieing progress, return to the drawing board and ask whether we can deliver a hospital in Devizes under the current constraints, I was referred back to the council's overview and scrutiny committee, which clearly has an important role to play in defining the services that we need for our local community. Will the Minister say whether, instead of waiting until 2013, we can submit pilot proposals to the national commissioning body when it is up and running and start to make progress, for example by looking for voluntary sector partners to begin a pilot programme?

There are few things that unite all the people in my constituency, but the feeling that we have been short-changed by our PCT and the NHS over the past 13 years is almost universal. I am sure that we are all united in welcoming the exciting proposals that the Secretary of State announced yesterday, and I know that the ideas of equality, excellence and liberating the NHS, and the possibility of getting back some of our minor injury services, make my pulse beat a little faster.

1.43 pm

The Minister of State, Department of Health (Mr Simon Burns): I congratulate my hon. Friend the Member for Devizes (Claire Perry) on securing this important debate. I know that local health services are a top priority for her and that she campaigned vigorously before coming to the House, and has done so since, as we have heard today, on behalf of her constituents to ensure that she obtains the best health care provision for the people she so ably represents. I admire her dedication and determination in fighting that battle for her constituents. I pay tribute to the NHS staff in Devizes and throughout Wiltshire for the excellent care and dedication that they provide day in, day out when looking after my hon. Friend's constituents and those of other hon. Members in the county.

My hon. Friend is aware that my right hon. Friend the Secretary of State has launched our White Paper on liberating the national health service. It is our vision for freeing the NHS from the shackles of politicians and bureaucrats in Whitehall, giving power to people locally, and working with clinicians and general practitioners to provide those services that local communities in Devizes, Wiltshire and the country need. It is a vision for making the NHS more accountable to patients, whether my hon. Friend's constituents in Devizes or people elsewhere. We want to free staff from excessive bureaucracy and top-down control. We want patients to be at the heart of everything that the NHS does and we want local people to have more choice and control than they have ever had and a greater say in their treatment, their needs and their health requirements. People in Devizes and the other small towns and villages that my hon. Friend mentioned will be in charge of making decisions about their care and provision of health requirements.

My hon. Friend has outlined the strength of feeling in her constituency for local minor injury services, and the support for the NHS generally. The minor injury units for Devizes and Marlborough at Savernake community hospital closed in September 2007, and my hon. Friend and her constituents were, understandably, disappointed at the decision, and have been frustrated by the difficulties and delays that have resulted from it. I am aware that people living in different parts of her constituency access different minor injury units, including those at the community hospitals at Trowbridge, Chippenham, Andover and Newbury, and that minor injury treatment continues to be available at the A and E departments in the acute hospitals in Salisbury, Bath and Swindon. As my hon. Friend rightly said, transport access causes problems for some of her constituents. I have considerable sympathy with the points she made about that.

I am also aware that my hon. Friend's constituency covers a large rural area. She gave some interesting figures and comparisons with other rural constituencies when making her point so powerfully. I understand her desire for local minor injury units that are accessible as quickly as possible to her constituents. But I must be frank with her. Given where we are at the moment and the processes that have taken place in her county and constituency on reconfiguration of services, I am unable to ask the NHS to open previously conceded processes, or to halt those that have passed the point of no return. I know that that will disappoint my hon. Friend, but I am afraid that at the moment we are where we are because of previous decisions and the degree to which they are in process.

My hon. Friend asked what could be done, and whether pilot schemes could be introduced as a forerunner to the abolition of PCTs in 2013, and she suggested other ways of working with outside interests. I want to give her as clear a steer as possible, and unfortunately, until the PCTs are closed and cease to exist in 2013, due processes and proper procedures must be adopted to move forward. Until they are phased out from 2013, the PCTs will continue to have the same responsibilities

[Mr Simon Burns]

that they have now for the provision and commissioning of health care in the areas for which they are responsible, including Wiltshire.

Guy Opperman (Hexham) (Con): I pay tribute to my hon. Friend the Member for Devizes (Claire Perry) for carrying on the work that we have all been doing for a considerable period on hospitals in Wiltshire. I spent three years of my life trying to keep them open. The Minister is saying that in reality, whatever the situation, despite the Health Secretary saying in 2007 that clinical need should justify closure, despite this being fundamentally an accounting measure, and despite decisions apparently not being reviewed before 2013, people are desperate for a hospital to reopen that is pre-existing, prepaid and sitting there—

Mr Gary Streeter (in the Chair): Order. I remind the hon. Gentleman that interventions should be brief.

Guy Opperman: It is a long question. I apologise, Mr Streeter, but the hospital is still there, and capable of being used. With the greatest respect, I fail to see why it is not being used.

Mr Burns: I am grateful for my hon. Friend's intervention and I fully appreciate his frustration at the situation. I also appreciate the greater frustration of my hon. Friend the Member for Devizes, because her constituency is directly affected by the issue that we are discussing. I repeat: we are where we are. We have a vision of a health service that works from the bottom up rather than the top down. However, until the changes occur, we are in a straitjacket because of procedures currently in place that have to be adopted.

Before the intervention by my hon. Friend the Member for Hexham (Guy Opperman), I was responding to the question from my hon. Friend the Member for Devizes about the way forward. I hope to give her a glimmer of hope and I will give her some advice about how I see the situation, both as a constituency MP and as a Minister. As long as we are in what is effectively an interim period since the publication of yesterday's White Paper, with the PCTs still commissioning services and having the lead role, I advise her to continue her spirited and dedicated campaign to get what she seeks for her constituents. She should continue seeking to persuade the PCT, local clinicians, GPs and the local community to stay onside in the desire to establish a minor injuries unit, and ensure that the other care services she mentioned are instigated for her constituents. At the moment, that route is the only way forward because the PCTs are the commissioning agents.

I urge my hon. Friend to continue her campaign in the hope that during the interim period over the next three years, she will see a change of heart if that is possible. If it is not possible, when the changes come in, she should use the new system to seek to persuade those in charge of reconfigurations and the provision of services to reinstate the services that she so passionately and rightly believes are needed and deserved by her constituents. That is my advice. It may not be as palatable as she would hope, but I know that she will appreciate and understand that under current circumstances, we have not yet changed the system. That vision was announced yesterday and it is a vision for the future.

Claire Perry: By 2013, if we get our ducks in a row, get our clinicians onside and our draft contracts drawn up, will we be able to present that business plan—in whatever forum we are in—to the national commissioning body and have some chance of success? Is there hope that within a three-year period before the next election we might get those services back under a new contract commissioned by the central body?

Mr Burns: Obviously, I cannot give a commitment that my hon. Friend would be successful. I wish her well in her endeavours, but it is not for me to prejudge what might happen. She is certainly right that if she puts all her ducks in a row—as she put it—with a business plan for what she believes her constituents need, she can present it to the national commissioning board and to GP consortiums in her area. Everybody will then work together, and make an overwhelming case for what my hon. Friend wants to see delivered for the local people of Devizes and her constituency.

As my hon. Friend will accept, "The times they are a-changin'". The Government's approach is different from the top-down approach taken by the previous Government. We believe that local decision making is essential to improve outcomes for patients and drive up quality. We will do more than just talk about pushing power to the local level; as the Secretary of State's White Paper shows, we are going to do it and make the dream a reality. That will be of considerable help to my hon. Friend in her campaign.

Given my hon. Friend's experiences during her ongoing battle, she will agree that we must move away from having Whitehall dictate how care should be delivered in Devizes, Westbury or any other town or village in Wiltshire. We believe that change must be driven from the bottom up, and that the patient must be the heart of health care provision. The patient must be put first; their interests and quality of health care is the No. 1 priority, not the decisions, ramifications and shenanigans of politicians and civil servants.

In future, all service changes must be led by clinicians and patients, not driven by Ministers such as me, or civil servants from the Department of Health. Only then will the NHS achieve the quality improvements that we all want to see.

Duncan Hames: In his search for local accountability in decision making, it would be helpful if the Minister advised hon. Members where in the process the public's demand for these services will be heard. Is there a role for locally elected politicians to secure influence in determining outcomes through the health overview and scrutiny committees of our local councils?

Mr Burns: If the hon. Gentleman refers to current arrangements, he will no doubt be aware that in late May, the Secretary of State announced changes to the criteria that need to be taken into account in any reconfigurations currently under way—providing that those reconfigurations are not so far advanced that it would be impossible to reverse them—and any future reconfigurations. The main priorities include taking into account the views of local people, clinicians and GPs and ensuring that health care is relevant for the local area.

If the hon. Gentleman is asking what will happen after the changes in the White Paper, let me say that once the PCTs are wound down and abolished, there will be a transfer of powers to the national commissioning board and all that flows downwards from that. Provision and responsibility for the commissioning and delivery of health care in a local area will be linked to local authorities, and accountability will be through local authority input with locally elected representatives. Public health is currently dealt with through the input from the primary local authority level in each area. That is where the accountability will be. The predominant point is that because one must have a locally driven health service, the wishes of the patient—not only in their individual care but in the requirements of the local community—must be fundamental to the decision about units or configurations. I hope that the hon. Gentleman and my hon. Friend are reassured by that.

In conclusion, I once again pay tribute to my hon. Friend for her commitment and dedication in fighting so hard for her constituents, not only before the election but afterwards. She has been in the House for about eight weeks, and she has already made her mark fighting for her constituents on the issue that she promised, during those long days in April, to take to Westminster. She is now in Westminster and has brought the issue to the debate today. I have every confidence that she will continue to use the means available to her in the House to pursue her agenda, and that she will mobilise support in her constituency to ensure that the issue does not go away. She will be determined to get what she believes to be the best health care for her community, and I wish her every success.

2 pm

Sitting adjourned without Question put (Standing Order No. 10(11)).

Westminster Hall

Wednesday 14 July 2010

[MR JIM HOOD *in the Chair*]

People with Learning Disabilities (NHS Treatment)

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Vara.)*

9.30 am

Mr Tom Clarke (Coatbridge, Chryston and Bellshill) (Lab): As always, it is an enormous pleasure to debate under your chairmanship, Mr Hood. I welcome you this morning. I also have great pleasure in welcoming the Minister. He knows that he has a very exciting portfolio, and if our extremely crowded meeting of the all-party group on learning disability yesterday is an indication—we understood that the Minister could not attend, for very good reasons—there is great public interest even in this debate. I welcome the Minister to his post.

It is a great privilege to open this debate on the hugely important issue of the treatment of people with learning disabilities in the national health service. I am well aware that the NHS in Scotland is devolved, following decisions of this House, but I declare two interests. I am a co-chair, with Lord Rix, of the all-party group, and I represent taxpayers in my constituency, who want to see best practice throughout the UK, particularly because many of the problems that will be discussed today are replicated in Scotland.

It is four years since the Disability Rights Commission published its report, "Equal Treatment: Closing the Gap", on physical health inequalities experienced by people with learning disabilities and mental health problems. It is three years since Mencap published its "Death by indifference" report, highlighting six different cases in which people with learning disabilities died unnecessarily in the NHS. Those reports helped to bring the treatment of people with learning disabilities to the fore and led to an independent inquiry chaired by Sir Jonathan Michael in 2008. In March 2009, the health service ombudsman published a report on the six deaths highlighted in "Death by indifference" and found failures of process at the heart of service provision in the NHS.

I hope that today's debate gives hon. Members the opportunity to question the Minister on progress made in the past two to three years and gives the new Government the opportunity to show their commitment to equality of health care provision for people with learning disabilities.

It is important to emphasise that the debate is not an excuse to attack the NHS. The national health service is an institution that is treasured and cherished throughout the country and of which hon. Members in all parts of the House are rightly proud. I have seen in my constituency and in constituencies throughout Britain the hard work and dedication of health care professionals—nurses, doctors, cleaners, ancillary workers and others—who are willing and able to go the extra mile for patients and are determined to help and improve the lives of people who need the support of the NHS.

A true friend of the NHS does not simply praise it unquestioningly, however. I believe that Aneurin Bevan, who died 50 years ago last week, would be delighted to see Government, politicians and voluntary organisations coming together to work with the NHS to ensure that it constantly improves its health care provision for the most vulnerable people and delivers its services with ever greater understanding and consideration. We should not forget that although the right of people with learning disabilities to experience equality in health care provision is a profoundly moral one, it is also a legal requirement under the Disability Discrimination Act 2005, the Human Rights Act 1998 and the Mental Capacity Act 2005.

It is important for us to highlight the many problems identified in some of the excellent work carried out in recent years. Sir Bert Massie, then chairman of the Disability Rights Commission, wrote in the foreword to the commission's "Closing the Gap" report that

> "people with learning disabilities...are more likely to experience major illnesses, to develop them younger and die of them sooner than other citizens. They are less likely to get some of the evidence-based treatments and checks they need, and they face real barriers in accessing services...we sometimes encountered a complacent attitude that these excluded groups 'just do' die younger or 'just won't' look after their health or attend appointments."

That was a damning indictment of what many people with learning disabilities experienced when they accessed health care services. Not only were people with learning disabilities more likely to experience health problems—that inequality is due to a wide range of physical, social and cultural factors—but the treatment that they received was of a lower standard.

The same report also found that people with learning disabilities were less likely to receive checks, such as crucial screening for breast cancer. There were problems with what is called diagnostic overshadowing, whereby physical illness is viewed as part of a learning disability and therefore ignored or sidelined. Many services were found not to be making reasonable adjustments to ensure that health care information was accessible to people with a learning disability.

If the report by the Disability Rights Commission was eye-opening, Mencap's "Death by indifference" report the following year was simply shocking. It highlighted the institutional discrimination that can exist at the heart of the NHS. One family reported that when they took their daughter into hospital for treatment, they were told, "If she had been a normal young woman, we would not hesitate to treat her."

Due to time constraints, I shall highlight just one of the tragic cases included in the report. Martin was 43 years old when he died in December 2005. He had a severe learning disability and no speech. After suffering a stroke, he entered hospital, where he contracted pneumonia. He could not swallow, so was put on a drip, which he was unable to tolerate and sometimes pulled out. A speech and language specialist visited Martin and recorded that alternative feeding methods should be found, but Martin was now entering his third week in hospital, his veins had collapsed and the doctors could no longer get the glucose liquid from his drip into his body. By the time it was decided that a feeding tube needed to be inserted into his stomach, Martin had been without nutrition for 21 days. He could not undergo the operation to insert the feeding tube, and five days later he died.

[Mr Tom Clarke]

The hospital's internal investigation concluded that there had been a complete breakdown of communication between the doctor and the nurses. The ombudsman went further, finding that Martin's death was avoidable and that he had been treated unfavourably because of his disability. Martin starved to death in an NHS ward because he did not receive the quality of care that he deserved and because he was failed as a result of his disability. That was certainly a shocking case, but Martin's death was more than a mere statistic. It was a human life—a life that could have been saved if he had been treated properly.

As a judicial review has been granted into an aspect of the ombudsman's findings, I will not comment in detail on the wider aspects. However, the "Death by indifference" report was possible only because of the bravery of the families who came forward to highlight the tragic and preventable loss of life that had occurred. Their bravery allowed people to see the human aspect of disability discrimination in health care and led to the creation of an independent inquiry into access to health care for people with learning disabilities, which published its conclusions in July 2008.

Sir Jonathan Michael's findings supported what people with learning disabilities and their families and carers have long said, and the points that I am about to make were overwhelmingly endorsed again and again at the all-party group's annual general meeting yesterday. People with learning disabilities find it harder to access health care services not directly related to their disability, and adjustments are not always made to allow for communication problems. Parents and carers often struggle to be heard, and there is limited knowledge among health service staff about learning disabilities.

I was pleased by the response of the previous Government, who set up the independent inquiry and unreservedly accepted its findings and recommendations. A public health observatory and a confidential inquiry into the premature deaths of people with learning disabilities have been established, and progress has been made on annual health checks, particularly in certain areas. However, more needs to be done to ensure more uniform roll-out, and questions remain about funding.

Real progress was made under the previous Government's 2009 "Valuing People Now" strategy, and I would like to hear from the Minister how the new coalition Government propose to maintain that momentum, how they will ensure that reasonable adjustments are made and how they will continue to raise awareness among health care professionals. I would also like to hear how they will move towards providing greater training in the health service—an issue that was raised again and again at yesterday afternoon's meeting—and ensure that data collection, information sharing and service co-ordination are enhanced.

As we know, the problems in the NHS are not self-contained. Discrimination, lack of awareness and a failure to understand the needs of people with learning disabilities do not exist simply in the NHS or the public sector; such attitudes percolate through all aspects of society, from education to employment to health care. If the Government are seriously committed to removing health care inequalities for people with learning disabilities, they need to do so in a wider social framework, as the "Valuing People Now" strategy clearly recognised.

I would therefore be interested to hear the Minister respond to the recent report by Professor Jim Mansell, who, incidentally, made an excellent contribution to yesterday's meeting. His report, "Raising our sights", deals with people with profound intellectual and multiple disabilities. It details the challenges, prejudice, discrimination and low expectations that many people with such profound disabilities face. It also deals with, and makes recommendations on, health care for people with profound intellectual and multiple disabilities, encouraging NHS bodies and NHS trusts to think about how adequate health provision is and to reflect again and again on how they deliver such vital services. How do the Government plan to respond to this important report? Will its extremely relevant and poignant recommendations be used as a framework for future policy making? It would be useful if the Minister could make the report available in paper form for those who do not access the internet and if the excellent accompanying DVD, which we saw yesterday, could be added to the website.

Although progress has been made, there is still plenty to do. That was highlighted recently in a poll of more than 1,000 health professionals carried out by ICM and commissioned by Mencap. The survey found that almost half of all doctors and a third of nurses said that people with a learning disability receive a poorer standard of health care than the rest of the population. Four out of 10 doctors and a third of nurses said that people with a learning disability are discriminated against in the NHS. The survey also found that a third of health care professionals have not been trained in how to make reasonable adjustments for a patient with a learning disability.

The Government need to make sure that there are accessible and open communication channels between professionals and those with learning disabilities, who rightly demand a higher standard of treatment. More than 80% of people with a learning disability have a severe communication disability, and that, alongside the prejudices and stereotypes that I have discussed, can often be at the heart of identified failures in the NHS. How will the Government continue to expand opportunities for specialist support so that two-way communication between people with learning disabilities and NHS workers can improve? I ask the Government to ensure that people with learning disabilities are guaranteed access to special communication provision and that NHS staff have appropriate communication skills.

It is vital to recognise and adapt to the challenges specific to people with a learning disability. I have recently had the pleasure of working alongside the charities SeeAbility and the Royal National Institute of Blind People, which have highlighted the prevalence of sight problems among people with a learning disability. In fact, more than a third of people with a learning disability have such a problem, and many do not realise it. Such problems can lead to behavioural change, to the undermining of quality of life and often to increased dependency. It cannot be acceptable that people with a learning disability are also least likely to get the right help and support with eye care.

In January, the all-party group co-hosted a listening event at which people with learning disabilities spoke to MPs, Members of the other House and other stakeholders about the sight problems that they had had and the lack of support available to them. As we listened to those

articulate people, it became clear that more information needs to be available and that eye care professionals need to be supported so that they can provide accessible and effective services. Eye care is one small but important part of health care provision, but it became clear, as we listened, that all people with learning disabilities want is accessible and understandable services that are adaptable to their particular needs. That is not too much to ask, I suggest, in the modern world.

The commitment to eradicating health care inequality in the NHS is shared among Members on both sides of the House, our partners in the voluntary sector and health care professionals. There are problems of discrimination, lack of understanding, communication failure, assumptions about quality of life, and inflexible service provision, which have begun to be tackled. That process needs to be continued by the new Government. I hope that they support Mencap's new initiative, the "Getting it right" campaign, which calls on health trusts to commit themselves to a charter setting out the steps necessary to ensure equality of health care in the NHS for people with a learning disability.

The charter makes reference to many of the points that are being debated this morning, including annual health checks, training, awareness, support for families and open channels of communication. Equality in treatment will be fully realised only once genuine equality for people with disabilities is achieved across society. However, the steps that have been taken to make tangible gains must continue, and must not fall by the wayside because of spending cuts or NHS reform, or for any other reason. Health care professionals need to be fully trained; specialist communications must be accessible; and services must be flexible in relation to the needs of all people with a learning disability.

The NHS succeeds because it is there for the most vulnerable. Let us hope that, with the legislative programme that has already been started, which hopefully is to continue under the current Government, we can prevent ill-treatment, discrimination and even avoidable death in that great national institution—we owe it to people with disabilities and to the vast majority of NHS staff, whose sterling commitment I again acknowledge.

9.52 am

Chris Skidmore (Kingswood) (Con): As the secretary of the all-party group on disability and a member of the Select Committee on Health, I have a dual interest in this debate. I am also a member of the all-party group on learning disability. I am sorry that I could not attend yesterday's AGM; it sounds as if it was a fascinating event.

I thank the right hon. Member for Coatbridge, Chryston and Bellshill (Mr Clarke) for calling the debate, which is clearly necessary. If I repeat any of the points that he made so eloquently, it will be only because they need to be driven home. The debate highlights some current failings in the NHS with respect to people with learning difficulties. As the right hon. Gentleman said, there have been several reports on the issue in recent years. The Disability Rights Commission's report, "Equal Treatment: Closing the Gap", published in 2006, showed that although people with learning difficulties were more likely to develop conditions such as obesity and respiratory diseases, they were less likely to receive adequate care, treatment and health checks.

In the following year, as the right hon. Gentleman also mentioned, came Mencap's report "Death by indifference". That seminal study highlighted some of the failings of the past several years and showed that six people with learning difficulties had died prematurely owing to discriminatory care. Yet after those reports were published, and despite moves towards dealing with the situation, the most recent survey by Mencap, which was released in June—again, the right hon. Gentleman referred to it—showed that half of doctors and a third of nurses had witnessed a patient with learning disabilities being treated with neglect or a lack of dignity, or receiving poor quality care. Those statistics are clearly unacceptable.

What can be done? The right hon. Gentleman has already referred to the issues that we need to address. I shall probably repeat some of what he said, and I hope that he does not mind. To my mind, the first issue is training for professionals in the NHS. There is clearly an institutional failure to make adequate provision for people with learning difficulties in the NHS, despite the fact that they receive £1.7 billion of NHS money. The Mencap survey highlighted the training issue; it found that 53% of doctors and 68% of nurses felt that they needed specific guidelines on how to care for people with learning difficulties, and how treatment should be addressed to them, to meet their needs. There is clearly a gap that we need to examine in closer detail.

I welcome the plans in the White Paper that has just been published to end the top-down managerial approach and the current centralised funding of education and training, because previously the multi-professional education and training levy was not accountable in relation to the amount of training and continuing professional development that it provided. The White Paper sets out welcome plans to give employers greater autonomy and, above all, accountability. Accountability is what we need, because training has been available but there is no way of showing that it works. We need to get back to a local level, which is what the White Paper sets out to achieve, so that there will be greater professional ownership of the quality of training. I welcome that accountability and recognise that accountability at local NHS organisational level must also ensure that people with learning difficulties are treated adequately.

The second issue that I want to mention is the broader one of communication. That is at the heart of treatment for people with learning difficulties. The question is how to cross the communication barrier between professionals—doctors and nurses—and people with learning difficulties, who often cannot express their needs, which may be very individual. One of my constituents was recently rushed to the Bristol Royal infirmary on a weekend. He had a procedure on his heart and a doctor explained his condition to him as if he were communicating with a normal member of the public. That approach was clearly inadequate for someone with learning difficulties. The nurse then presented him with some complicated leaflets, which he could not understand. There was no co-ordination with his carer at NHS level—or certainly not at the acute hospital level—and that led to a man who was already very sick being further distressed and scared.

It is in that context, to which the right hon. Member for Coatbridge, Chryston and Bellshill referred, that the role of learning disability liaison nurses is crucial, for

[Chris Skidmore]

the support of patients, families and those who support people with learning difficulties. It is not yet clear how many such posts exist. In my area of Bristol, which has the Frenchay and Southmead hospitals, there are only two. However, I was surprised to discover that that is pretty good by national standards.

I understand that interesting new moves are under way towards developing the role of liaison nurses, and in particular that St. George's healthcare trust in south London has gone further, by appointing a nurse consultant in learning difficulties. The success of that probably says something about the need to examine the NHS staffing structure in relation to people with learning difficulties. The holder of that nurse consultant post remarked:

"This job would not have had the impact it has had if it was not at consultant level."

That shows an interesting divide, by which those with learning disabilities are often dealt with at a nursing level, when to get the impact that is needed it is necessary to go higher up the chain. Clearly, there is a need to explore the greater use of liaison nurses, the employment of a number of such nurses, and what happens at local level.

The White Paper gives us much encouragement about the personalisation of services, and, above all, the determination to put patients at the heart of the NHS. I note with interest that one of its principal aims is to ensure that shared decision making will become the norm. To use the familiar maxim that we use in the all-party group on disability, "No decision about me without me." Sadly, we know that for some with learning difficulties that will be impossible.

We already know about the difficult ethical issues, which have been reported in the national media, in respect of those with learning difficulties having treatment forced on them. For instance, a lady with cancer was forced to undergo an operation. I do not want to touch on the ethical issues today, but such cases clearly raise questions about the relationship between patients and professionals. Given the White Paper, the greater personalisation of services and putting patients at the heart of the NHS, we must ensure that patients with learning difficulties are not left behind.

Personalised care that reflects individual health care needs is just as relevant for those with learning difficulties, if not more so. If we want to realise the promise of the White Paper—I note that it is also committed to promoting equality—we must understand the importance of health outcomes for those with learning difficulties. Moving from targets towards outcomes will benefit those with learning difficulties, as some of their problems need to be considered over a greater period, and hospitals cannot always deal with them in a single session. However, those outcomes are not being met, and that reflects on society.

Above all, it is important to ensure that the most vulnerable, particularly those with learning disabilities, receive the greatest care. In that regard, the introduction last year of incentive payments for GPs to carry out annual health care checks for those with learning difficulties was welcome. However, there is clearly a problem. Take-up has risen by about 60% between 2008-09 and 2009-10, yet still only half the money allocated for such checks by doctors is being used.

The White Paper and Government statements show that giving GPs greater control over their budgets will circumvent some of the centralised mechanisms. GPs will thus know exactly what tailored care is necessary for their patients, including those with learning difficulties. I hope that GPs will take the opportunity to expand the use of health checks within their allocated budgets. That will ensure that prevention is at the heart of treatment.

Above all, the issue is about prevention. As the right hon. Gentleman said, those with learning difficulties and disabilities are often at greater risk of illnesses that could have been prevented; they could avoid reaching the acute hospital stage, which can often be confusing and stressful, early in their treatment. Personalised care will ensure that GPs monitor patients more carefully. I hope that having annual health care checks in place will ultimately prevent people with learning difficulties from reaching the stage in the NHS that they find so disturbing—the stress of late diagnosis.

Finally, I echo the right hon. Gentleman's comments about the national health service. We are not here to criticise the institution. We share a common cause; we wish to make it better and more effective for those with learning difficulties.

Mr Gregory Campbell (East Londonderry) (DUP): I thank the hon. Gentleman for giving way. He touched on the excellence of the national health service. Does he agree that we must try to ensure best practice throughout the United Kingdom, particularly in devolved regions, and that we should not have patients in one part of the UK demanding of the health service a level of service that they see elsewhere? We should aim for equality and best practice across the UK.

Chris Skidmore: I agree with the hon. Gentleman. We are learning that health inequalities throughout our nation are extremely profound. Only by dealing with health inequalities can we raise the standard of public health in the nation as a whole—something that applies to many of our public services. Having a greater drive towards the localisation of services and the personalisation of care will get us to the stage where prevention is at the heart of NHS treatment. Through prevention, we will achieve greater equality; it will iron out some of the inequalities that we see in our most deprived communities.

The principles on which the NHS was founded are still relevant today, and we agree that that must remain so. However, although free health care at the point of access should be available to all, based on need, we must look harder at how to ensure that the needs of the most vulnerable are met. That includes those with learning difficulties. More clearly needs to be done, but I hope that we will be able to achieve it.

10.5 am

Barbara Keeley (Worsley and Eccles South) (Lab): It is a pleasure, Mr Hood, to serve under your chairmanship. I congratulate my right hon. Friend the Member for Coatbridge, Chryston and Bellshill (Mr Clarke) on securing this debate, which is on a most important subject.

As we know, my right hon. Friend is chair of the all-party group on learning disability, and I pay tribute to his work on the matter in Parliament and with Mencap, which supports the all-party group. My right hon. Friend has highlighted a series of reports that make a compelling case for improving the treatment of people with learning disabilities, making it equal to the treatment received by others.

At the extreme, inequality of treatment in the NHS can lead to unnecessary death, as in the six cases highlighted by Mencap's report "Death by indifference". Those six cases of unnecessary death led to the health ombudsman's findings of failure in NHS service provision. Since then, Mencap has received more accounts of tragic cases from families and carers whose loved ones died because health professionals did not know how to treat, assess or care for people with learning disabilities; they did not listen to what the families and carers said about the patients' needs, and they made no effort to communicate with the patients using methods such as photo symbols.

Some time has elapsed since the "Death by indifference" report and the ombudsman's findings of failures in service provision. Will the Minister tell us what progress the Department of Health has made in achieving equality of provision in health services for people with learning disabilities? As my right hon. Friend said, there is a moral case for equal treatment but it is also a legal requirement under the Disability Discrimination Act 1995, the Human Rights Act 1998 and the Mental Capacity Acts. The cases that have been highlighted show that people with learning disabilities do not always get the right health care; failures in provision can have fatal consequences.

Given that people with learning disabilities are more likely to have major illnesses, and at a younger age, failures in provision or barriers to accessing treatments or services are more likely to lead to fatal consequences. Members may know of such things from their casework. I spent time battling for appropriate care for a young constituent with physical and learning disabilities. Her parents wanted her medical needs to be assessed alongside her physical needs, but we had a battle with the primary care trust on that. We finally won, but it was too late; my young constituent died before the improved services could be put in place.

My right hon. Friend spoke of the problem of diagnostic overshadowing, whereby physical illness is seen as part of a learning disability and is therefore ignored or sidelined. In our debate last week on mental health and autism, we said that similar difficulties resulting from mental health symptoms are being treated as if the symptoms were part of the autistic spectrum disorder and are also ignored. We need health professionals to be trained to treat, assess and care for people with disabilities or learning difficulties.

We heard earlier that a poll of more than 1,000 health professionals commissioned by Mencap found that a third of health care professionals are not trained in how to make reasonable adjustments for patients with learning disabilities. As has been said, that is no longer acceptable. The fact that more than 80% of people with a learning disability also have a severe communication disability points to the need for training and specialist support. I make no apology for repeating points made by others; we need to underline their importance.

Good communication is vital between patients with learning disabilities and health care professionals and, as we heard, that is at the heart of NHS provision. I therefore look forward to hearing the Minister's comments on access to special provision for communication within the NHS, and on appropriate communications skills training for NHS staff. The NHS White Paper says that the Department of Health will reduce its role in the education and training of staff. How will the Government ensure that professionals have proper training in providing health care for those with learning disabilities?

I turn from training to health checks for people with learning disabilities. The Labour Government's "Valuing People Now" strategy accepted a recommendation to introduce a directed enhanced service of annual health checks for people with learning disabilities who are known to local authorities. That has meant that all primary care trusts in England are under direction to commission annual health checks from GP practices in their area and to arrange appropriate training for GPs and their practice staff. Such arrangements were initially set to run until 31 March 2010, but there has been an extension until 2011.

In addition, the Department of Health planned to work with groups representing patients, families, carers and professional groups to review the effectiveness of those arrangements and consider improvements for the future. Will the Minister update us on that work and say what commitments he can make to continue annual health checks for people with learning disabilities? Will he also update us on the development of practitioners with a special interest in learning disability, as that, too, was part of the strategy? It was envisaged that such practitioners could serve as a resource to other health practitioners in their area.

Given the announcements made by the Secretary of State on Monday, will the Minister further update us on what the commissioning process will be for the directed enhanced service? Will the new NHS commissioning board require GP consortiums to provide annual health checks for people with a learning disability? What expertise in commissioning care for people with a learning disability will the Government expect GP consortiums to have? That is an important question. Will the Minister tell us whether the Government plan a wider roll-out of annual health checks for people with a learning disability, as my right hon. Friend has already asked him, and what systems will be put in place to monitor the quality of such health checks?

People with a learning disability will receive health checks only if they are known to the local authority. A further recommendation accepted in "Valuing People Now" was that the Department should ensure that it collects the data and information necessary to allow people with a learning disability to be identified by the health service and have their care pathways checked.

Will the Minister update us on the work of the NHS information centre and the public health observatory for people with learning disabilities to identify practical changes that are needed to ensure more systematic recording of learning disability within general practice? "Valuing People Now" said that the directed enhanced service for annual health checks would help GP practices ensure that the registers they maintain under the quality and outcomes framework reflect information from local authority registers of people with learning disabilities

[Barbara Keeley]

known to those services. Will the Minister tell us whether that has been a successful way of collecting the data and information needed? Has good practice emerged on comparing data from GP practice systems with data from other NHS sources to allow better analysis of the uptake of health care interventions and health outcomes for people with learning disabilities?

Finally, "Valuing People Now" recognises the important role that carers play and the importance of working in partnership with them in the provision of treatment and care. Carers should always be included as partners in care, but the "Death by indifference" report showed that health care professionals did not listen to families and carers about patients' needs.

The hon. Member for Kingswood (Chris Skidmore) told us of a case in which the carer was not involved in any communication about the person for whom they cared. The national carers' strategy included a commitment to issue information prescriptions to carers and to enable carers to receive other appropriate information, especially in cases when mental capacity is an issue.

The national carers' strategy also recognised that the additional stress of caring may affect the carer's own health, so there is a need for annual health checks for family carers, too. We must ensure that carers get regular access to short-break services and to support.

In this time of cutbacks and austerity budgets, will the Minister assure us that he understands and prioritises work to ensure that carers are treated by the NHS as partners in care? Will he also tell us whether work on a refresh of the national carers' strategy will continue to prioritise annual health checks for carers, access to respite care and breaks for all carers, especially those who care for people with a learning disability?

The Government White Paper uses the slogan "Nothing about me, without me", which clearly owes a debt to the slogan "Nothing about us, without us", which was used for many years by disability activists. "Nothing about us, without us" was also the title of a strategy paper for learning disability produced in 2001 by the Department of Health and the service users' advisory group, which included representatives from a number of learning disability organisations.

I trust that the Minister will value the contributions and questions that have come from this debate, as Ministers have valued reports from, and the themes and slogans used by, organisations for people with disabilities and learning disabilities over the last decade.

10.14 am

The Minister of State, Department of Health (Mr Paul Burstow): I thank the right hon. Member for Coatbridge, Chryston and Bellshill (Mr Clarke) for securing this debate, because it is a timely opportunity for the new coalition Government to set out their intentions and approach to the issue. I also pay tribute to him because I know from my time in the House, over the past 13 years, that he has been a true and consistent campaigner on behalf of people with learning disabilities and their families. He has brought many issues to the attention of the House and regularly challenged Ministers of the previous Government—I am sure that he will continue to do so with this Government—to strive to achieve better outcomes for people with learning disabilities.

I made it my business to attend the first meeting of the all-party group on learning disability after the general election to signal my intention and commitment as a new Minister. Despite the fact that I could not make yesterday's meeting, I hope that my good faith and my desire to collaborate with the all-party group will be recognised. I also pay my respect to Lord Brian Rix who, along with the right hon. Gentleman, provides exceptional leadership in that area.

I also thank the hon. Member for Kingswood (Chris Skidmore) and the hon. Member for Worsley and Eccles South (Barbara Keeley), who speaks for the Opposition, for their contributions to this debate. I will clearly have ample time to respond to their many points and questions. If I miss anything out, I will write to right hon. and hon. Members later. It is right that such issues should arouse strong feelings and that they should be kept at the top of the agenda. The right hon. Member for Coatbridge, Chryston and Bellshill drew attention to the Disability Rights Commission report "Closing the gap" and the impact that it had when it came out. No one should be in any doubt of the extent to which the Mencap report "Death by indifference" provided a wake-up call to the NHS and the Government of the day. The health ombudsman's report has also been very important in alerting us to the failings in the system.

Four years on, a great deal has been written and said about this subject. None the less, despite the "Valuing People Now" strategy and the many worthy efforts to improve services, there are still some parts of the NHS that are not delivering well enough for people with learning disabilities. We have inherited that legacy and we are determined to take action on it. I welcome and support the principles set out in Mencap's "Getting it right" charter, and we will try to collaborate with the charity to ensure that we address and take forward the additional challenges. I want to work very closely with Mencap to ensure that we translate the words on the page into real change in hearts, minds and practice across the country.

The right hon. Gentleman and the hon. Member for Kingswood were right to pay tribute to the work of many dedicated NHS staff around the country. Constructive feedback also needs to be part of any good process of continuous improvement, and is certainly essential when it comes to the NHS. My hon. Friend the Member for Kingswood put his finger on the pulse when he said that one of the key things that the Government White Paper on the NHS will do is provide a far better focus on early intervention, early diagnosis and prevention. Prevention will be an important part of this Government's agenda in the delivery and improvement of health care.

I want to make it clear that this Government support "Valuing People Now" as a strategy. Our approach to it is one of continuity and change. I will not be reinventing the wheel, but I will be doing everything I can to make the wheel spin faster—if I can put it that way—because we need continuity but we also need to accelerate the pace of change on the ground.

I have listened very carefully to the points that have been made by right hon. and hon. Members during this debate and I will try to respond to those points. I will start with the point about evidence and information. Gathering evidence and information must be a key part of informing the development of practice on the ground. The right hon. Gentleman and the hon. Member for

Worsley and Eccles South, the shadow Minister, were right to say that this is an area where we must do more. Gathering better information and evidence is vital. We need better information and evidence to subject the NHS to proper scrutiny and so that the NHS can conduct proper self-appraisal; consequently, any shortcomings in care can be identified and acted on quickly, both at a local and a national level.

I can confirm that we are pressing ahead with the confidential inquiry and the public health observatory that were recommended by Sir Jonathan Michael's inquiry. The confidential inquiry will ensure that premature and avoidable deaths of people with learning disabilities are investigated and that lessons are properly learned and applied at a national level. The public health observatory will give us a much stronger evidence base about the needs of people with learning disabilities and the difficulties that they face, which in turn will inform better practice. I am particularly pleased that we will have representatives from Mencap, the National Forum for People with Learning Difficulties and the National Valuing Families Forum on the group that will scrutinise the progress of both the confidential inquiry and the public health observatory.

In addition, all areas of the country have completed, or are in the process of completing, the new health self-assessment framework. That framework brings together strategic health authorities, primary care trusts, hospital trusts and people with learning disabilities and their families. Those organisations and individuals are coming together to assess local NHS progress and to ensure that health services continue to improve for people with learning disabilities. Their work will be shared with the public health observatory to inform its work. The framework offers a strong means of ensuring accountability and it can help us to ensure that NHS services are making the right adjustments in line with their duties under the Disability Discrimination Act 2005 and other legislation, which is a point that has quite rightly been made by all right hon. and hon. Members who have contributed to this debate.

Barbara Keeley: As I think all of us who have been involved in today's debate understand, there will be a great deal of churn in the organisations that the Minister has referred to, such as the SHAs, the PCTs and the hospital trusts. Greater accountability for, and greater scrutiny of their work is clearly important, but those organisations are now threatened with closure. People will be leaving their jobs, so I want to ask the Minister if there is a follow-on plan for when those organisations expire, as it were?

Mr Burstow: The hon. Lady must have a copy of my speech in front of her, because the answer to that question is in the next paragraph. She is absolutely right. In executing the change that the White Paper sets out, which means removing the sense of central dictation and direction that we have seen in the NHS for the last 13 years, ending that sense of command and control and making the system one that is about delivering outcomes and one that is facing the patient and working alongside them to deliver those outcomes is an important transformation. Therefore we need to ensure that, in the transition planning that is now well under way for the change that will take place during the next two to three

years, the institutional knowledge and learning in the existing system properly migrate to the new system, and that best practice is firmly embedded in the front-line services. Those services will remain as they are now, but they will receive more support and investment to do even better.

Mr Tom Clarke: I welcome both the Minister's tone and his approach to the all-party group. When he considers a number of these issues, I wonder if he feels, as I do, that the importance of advocacy is underlined? Furthermore, does he believe that advocacy will become a central part of the Government's approach to these matters?

Mr Burstow: I am very grateful to the right hon. Gentleman for his intervention and his question. He raises a point that I will move on to shortly, but I certainly see advocacy as being very important in this area. Looking forward, we will need to ensure that we reflect what we are learning from the work that is going on at the moment in the new commissioning landscape and in the new frameworks for accountability at a local level.

Both the right hon. Gentleman and the shadow Minister have referred to annual health checks, so let us look at that issue. It is quite encouraging that many more people with learning disabilities are now receiving an annual health check from their GP. Last year, just over one in five people with learning disabilities received an annual health check and the latest figures show that two in five people with learning disabilities have received their annual health check within the last 12 months. However, that is clearly not good enough, as it means that three in five people with learning disabilities still do not receive an annual check. As a Government, we are determined to push that process forward to ensure that the training and development that has taken place delivers in that regard.

I have heard many stories about how those health checks have identified, for example, cataracts or cases of diabetes. Furthermore, as has already been said in this debate, if we put ourselves in the position of a person having such a health condition but being unable to communicate the symptoms, we can begin to understand the difference that these health checks can make. I am therefore certainly keen to see annual health checks continue for people with learning disabilities, and we are looking at the most cost-effective way of ensuring that.

Reference was also made to the training of staff in relation to carrying out health checks. Undertaking training is certainly part of the requirement for all the GP practices that are delivering the annual health checks for people with learning disabilities. That training is about raising awareness of people with learning disabilities and their families, and particularly about ensuring that communication issues are understood, that advocacy is provided and that there is also liaison with staff in the acute sector. So there are a number of aspects about training and I will say more about that shortly.

The right hon. Gentleman referred to the training, as did the hon. Member for Kingswood. Reference was made to the recent Mencap poll, which makes disturbing reading as it shows the number of staff who have not had training to help people to make reasonable adjustments to different situations.

[Mr Burstow]

The shadow Minister talked about the need to look at people in the round, so that we do not only look at either their learning disability or their physical needs but at both elements. In that way, we will not allow diagnostic overshadowing to take place. That issue must be properly addressed in training. Therefore I wanted to ensure that right hon. and hon. Members were aware that the Council for Health Regulatory Excellence is working with professional bodies to support better training and to improve professional standards. That relates to a point that the hon. Member for Kingswood made about the need for professional ownership of that training, so that it is not just something that is imposed from the top but is seen by professionals as an essential way of learning to do their job better.

As a Government, we are working with the council to reach not only doctors and nurses but the full range of health care professionals. That is clearly important when it comes to meeting the often complex needs of people with learning disabilities. For example, speech and language therapists have a key role in tackling feeding issues of the type that the right hon. Member for Coatbridge, Chryston and Bellshill talked about. However, he referred to a case that I fear I cannot talk about any further, because it is before the courts. Occupational therapists are also important in helping people to develop the skills that they need to live independently, so I am pleased that all the regulatory bodies are reporting progress on that work and I will certainly keep in touch with them to ensure that that progress is maintained. I also want to ensure that that learning is embedded as we move towards delivering the vision that is set out in the Government's health White Paper published on Monday.

Meanwhile, at a primary care level staff in all GP practices that are delivering annual health checks now have the appropriate training. The Royal College of General Practitioners is due to publish additional training materials for all GPs this summer, which are about getting health checks right for people with learning disabilities. I hope that that reassures right hon. and hon. Members that the Government are not about to shelve the issue of training but are determined to see training programmes develop.

Barbara Keeley: I think that the point about annual health checks has been emphasised. Does the Minister see those checks continuing? Will there be funding for them to continue? He has helpfully quoted some figures that show that we have moved from a situation in which one in five people with learning disabilities receive an annual health check to a situation in which two in five receive such a check. Does he know whether that gap—a gap that means that three in five people with learning disabilities do not receive an annual health check—exists because those people are not known to services or because GPs are just not carrying out those checks? In other words, is there an information gap or is there a practice or provision gap? If he does not know now, perhaps he can tell me in writing later.

Mr Burstow: Regarding the hon. Lady's point about funding, given the tone and the substantive nature of what I have said about annual health checks it would be surprising if the Government were not determined to see those checks being continued. However, we are obviously in the middle of a spending review and therefore we must ensure that we achieve value for money in those checks. I think that this debate underscores that point only too well. I will write to the hon. Lady on the other point, because I want to get the answer absolutely right, and I will ensure that other hon. Members involved in this debate are copied in.

The hon. Lady also mentioned the value that we all rightly attach to the contribution made by family carers. I hope that she and others, while perusing the White Paper during the past two days, will have seen that one thread running through it from principles to practicalities is the value that this Government attach to the role of carers. For the first time in a Government White Paper, we have stated clearly that we see carers as partners in recovery and the provision of good care, which we want to ensure is provided appropriately in different circumstances. It is an important signal that we hope will be taken on board.

On annual health checks, the hon. Lady will know that the Government are in the midst of a series of pilots to evaluate the best way to implement health checks for carers. We will await the outcomes of the pilots before making further decisions about their wider roll-out.

On engagement, which all hon. Members have mentioned, it is crucial that patients and families are at the heart of all health care services at all levels. The White Paper makes that clear by borrowing from an important past report. We want the aspiration "No decision about me, without me" to inform how the health service develops. We need people with learning disabilities to be fully involved in the planning and design of services at a local level. If we can create an NHS that genuinely listens and responds to patients, in line with the White Paper, we will ensure that people with learning disabilities get the support and advocacy that they need to make their voices heard. That is clearly important, just as it is important to ensure that the values and principles behind the Mental Capacity Act 2005, which I supported during its passage through the House, are understood and translated into practice.

Some parts of the country are already doing great work in that area by, for example, bringing in user-led organisations to advise staff and help them offer patients the right advocacy. We want to see more of that. We will also work through the new body proposed by the White Paper, HealthWatch, which will not only handle patient complaints but be responsible for providing advocacy and support in pursuing them. HealthWatch will have a key role in ensuring that the voices of those whom we are discussing are heard fully across the NHS. It will be a powerful champion for people who are not always heard.

Hospital passports have not been mentioned, but they none the less address some issues raised in this debate. The hon. Member for Kingswood discussed, among other things, the role of liaison nurses. Hospital passports are another helpful development and were one of the top suggestions in Mencap's charter. The passports are short, accessible booklets that can be carried by people with learning disabilities to give NHS staff information about their medical history, any drugs that they are taking and their likes and dislikes. They are a low-cost but effective idea and are offered by many

hospitals throughout the country. I want to see them spread to every hospital. I suspect that the case mentioned by the hon. Gentleman involving poor communications in hospitals might have been avoided if such a passport had been available.

Clearly, acute liaison nurses also have a role to play. All strategic health authorities recently reported on the issue to the Department of Health, and all referred to the value of acute liaison nurses. The number of posts is increasing as such nurses demonstrate their value. They play a part in building capacity, training colleagues, raising awareness across the work force, improving the patient experience and, importantly, reducing length of stay and getting people back into the community appropriately.

I have mentioned commissioning structures. As we migrate from the old system to the new, we must ensure that the learning is carried over. That creates opportunities and possibilities for organisations such as Mencap and others to play their part in ensuring that they work alongside commissioners at a local level to deliver it.

Barbara Keeley: While the Minister is on that point, will he enlarge on how the commissioning of the services that we have been discussing will take place? Will they be locally commissioned, or will the NHS independent board commission them from GPs?

Mr Burstow: The NHS commissioning board will commission the family practice services that GPs provide, but the GP commissioning consortiums will be responsible for a wide range of commissioning services, some of which they may do collectively at a sub-regional or regional level, while others will be discharged by the NHS commissioning board. The important thing is the expertise available, and we say in the White Paper that GP consortiums will have access to that expertise in a number of ways. They might choose to bring it in-house, use their local authority's commissioning expertise—some local authorities have exceptional expertise—or work with third sector organisations. There are already examples of that happening, such as with Turning Point. I suggest that opportunities exist for organisations to offer commissioning expertise in order to develop services that are much more in tune with the needs of particular patient groups.

The right hon. Member for Coatbridge, Chryston and Bellshill was absolutely right to flag up the wider societal challenges of discrimination, particularly the discrimination faced by people with learning disabilities. He was therefore right to identify, as the Government do, that we must not approach the issue in a narrow, health-focused way. We need a wider social perspective in taking forward strategies on the matter, and that will be part of our thinking throughout.

The right hon. Gentleman also asked me about the Mansell report, which I know was the subject of discussion last night at the meeting of the all-party parliamentary group on learning disability. I thank Professor Mansell for his important work, not least because I understand that the work reported yesterday was commissioned by the Department of Health. It demonstrates the vital importance of improving services and outcomes for people with learning disabilities and provides important examples of good service and good practice that we must ensure sit firmly in the strategy going forward. My officials will work further to ensure that we see how the findings fold into the ongoing work on the strategy.

The right hon. Gentleman asked about the DVD. We are happy to ensure that it can be accessed on the website and to discuss other ways we can collaborate to maximise awareness of it and the Mansell report. We are keen to ensure that people have access to it and will do what we can to achieve that.

I am told that financial matters, to which the right hon. Gentleman referred, were discussed last night at the all-party group meeting. How can we maintain and accelerate progress in the straitened financial circumstances that the Government have inherited? Part of the answer is that the NHS has benefited from this Government's commitment to real-terms growth. However, we have inherited a debt legacy that must be tackled, and we have made it clear that the sick should not have to pay the price for that, nor should people with learning disabilities. The NHS will have to be even more creative and willing to work in new ways with the third sector and other organisations to maintain and quicken the pace of reform. I am confident that we can do things differently and achieve with less, and that we can do more for people with learning disabilities.

Ultimately, we need to achieve real change to make an impact on the ground. Yes, we need better training, evidence and engagement but, ultimately, we need better services driving better outcomes for patients. We need services that are integrated—the White Paper provides a way forward on that—as well as more responsive. They must be built around the individual needs of patients and families, meet their expectations and give them a say in their treatment and ongoing care.

In conclusion, the NHS White Paper can be the catalyst that we need to drive change. The message is simple. We want an NHS that is focused on outcomes and judged by what really matters to people: the extent to which it helps them live longer and healthier lives. We will need to consider how we measure those outcomes in the right way for people with learning disabilities, and I look forward to working with the all-party group, Mencap and many other organisations on that. Reducing preventable mortality might, for example, be a helpful starting point, and we want to consult on that.

The shift away from process-led measures towards outcomes will bring a cultural shift in care and help the NHS to shake itself free of any of the lingering discrimination that has been talked about in this debate—any sense of looking at the disability rather than the individual as a whole in terms of how treatments are decided. That is the opportunity the Government's White Paper presents and I am determined to work with the right hon. Member for Coatbridge, Chryston and Bellshill, the all-party group, Mencap, families and others to ensure that we grasp that opportunity and deliver the best outcomes possible.

Mr Jim Hood (in the Chair): The sitting is suspended until 11 am.

10.40 am

Sitting suspended.

Rail Services (South London Line)

10.57 am

Kate Hoey (Vauxhall) (Lab): I am grateful for the opportunity to raise this debate on the future of the south London line, which serves my constituency, and specifically the services that run through Clapham High Street and Wandsworth Road stations, which are absolutely essential in allowing many of my constituents to travel directly into central London. Although the Minister is, of course, aware of the situation and has had many briefings on it, I will set out the background, because it is by nature quite complex and his Department, ultimately, will make the final decision.

The south London line currently runs twice an hour in a loop between London Bridge and Victoria stations, stopping at South Bermondsey, Queens Road Peckham, Peckham Rye, Denmark Hill, Clapham High Street and Wandsworth Road. It serves the wide south London community by providing access to two key interchange stations, London Bridge and Victoria, which are the centres of much employment. In February 2009, Transport for London announced the funding and go-ahead for phase 2 of the East London line extension, which will supersede much of our service to the east, running to Canada Water, Shoreditch High Street and up to Dalston.

However, it is the proposals to the west that concern my constituents and me and that have worried so many of the local amenity groups, councillors and societies, such as the Clapham Society. The link to London Bridge was to be preserved by the proposed new line from Victoria to Bellingham, but Network Rail decided to axe that, on the understanding that the direct route to Victoria would be retained. We were also promised longer platforms at those stations and told that the money was available for that, so I hope that the Minister will be able to tell me about that or find out where the money that had been earmarked has gone.

Transport for London proposes that, rather than continuing to take residents into Victoria, where so many of them work, including many civil servants, those services will instead be diverted to Clapham Junction from May 2012. For those who hear the words "Clapham Junction" and immediately think, "Well, that's Clapham, so what's the difference?", I want to say that it may have the name "Clapham" but it is not Clapham. None of my constituents would consider Clapham Junction to be in Clapham. It is not convenient for them; it is not a route that they currently use to get into central London.

Clapham Junction lies further out, so passengers would have to travel further away from central London to change on to trains at Clapham Junction, which is already, as I am sure some Members know, an incredibly overcrowded station. The journey would be longer, and would mean inconvenient platform changes and even more crowded trains. It would, literally, be a backward step. As the Minister knows, Clapham Junction has been cited as the worst interchange station in London, with crowded corridors and congestion. Clapham Junction is therefore not in any way a solution, and I understand that the funding to improve the station will probably not now be available.

What is being offered, therefore, is an increased orbital service for an area that depends on its radial service to where people want to go, and for which there is increased demand. That is demonstrated by the alternative route that people who are near enough will use: the Northern line. If the proposals go through, they will force many more people who currently use the train at Clapham High Street on to the Northern line at Clapham North and Clapham Common stations, which are dangerously overcrowded in the morning and are commonly recognised as needing reconstruction. The severe Northern line congestion suggests that there is a desperate need for alternative radial routes. If anyone ever wants to see what real crowding on a tube is, I suggest that they go to one of those Northern line stations at morning rush hour, when people sometimes have to wait for the second or third train before boarding. Cutting the alternatives into Victoria will, far from relieving congestion, have the opposite effect. People who live near Wandsworth Road are not even near a Northern line station, so they do not even have access to such an option.

What adds to the irony of the situation that has been proposed is that two trains an hour will still go to Victoria, but only at off-peak times, when commuter demand will not exist and take-up will be lowest. The outcome is that far more useful services are to be removed, and scarce money spent putting on a four-trains-per-hour service to Clapham Junction in the morning when there is no demand. I appreciate that the Minister might not yet know his London intimately, although I am sure that if he stays in his position longer he will, but this proposal is like arguing that because Richmond has orbital services it should lose all trains to Waterloo or Victoria, or that because Croydon has the East London line extension it should not have trains to London Bridge. That is really what Transport for London is proposing for Clapham High Street and Wandsworth Road.

Beyond that issue, which affects my constituents so much—although the decision has not finally been made—I have deep concerns about the process that has been followed and about how we have reached this point. The Department for Transport instructed Transport for London to work with London TravelWatch to consider the options for the future of the service, including the development of modelling to consider the future use of each option to serve my area, and many concerns have been raised about the modelling that was done to predict demand. Rather than considering consumer views data, the decisions relied on abstract projections over a 60-year period. I am not an expert, but I and many experts other than those who ordered that kind of modelling, are not convinced that it accurately reflects the desire for orbital travel, the unwillingness to interchange at Clapham Junction or the costs of the relative options.

London TravelWatch rubber-stamped the TfL proposal to end the London Bridge service, and since then there has been an ongoing discussion about the Victoria end of the service. What has emerged from the discussions is the so-called option 7, which did not exist in the previous shortlist but was brought in right at the end, although there were a number of other options. It seems to have been agreed as the way forward. This option ends peak-time access into central London and diverts people instead to Clapham Junction, forcing them on to the very overcrowded Northern line. It diverts long-distance Kent coastal services that come through to Victoria, allowing them to stop at various places—but not in my

constituency—and increasing the journey time for those commuters, without doing anything to help anyone living in the Clapham area.

London TravelWatch seems to have considered that an achievement, even though its chair, Sharon Grant, originally referred to the impact on my constituents as a "major disbenefit" with "a substantial disadvantage," and went on to talk about how terrible and overcrowded the Northern line was. Suddenly, Sharon Grant and TravelWatch seem to have decided, for whatever reason, that the Northern line is no longer overcrowded, or a problem, and that this proposal is the best option.

Option 7 brings the worst of both worlds, inconveniencing longer-distance passengers and leaving the worst-affected stations without their vital links to Victoria, forcing passengers on to the most congested part of the London underground. It is an option that, from a common-sense point of view, does not bring value for money. Even if it is cheaper at the moment, the longer-term cost makes it a clear example of false economy. London TravelWatch's remit seems strange to me. Is it not to be an advocate for the people of London? Does it actually also work for people in the wider south-east, such as Kent? It has abandoned the interests of my constituents in London. When Network Rail approved the axing of the south London line to London Bridge, TravelWatch agreed, on the condition that the Victoria link was kept.

Now TravelWatch has endorsed the axing of the Victoria link for Clapham High Street and Wandsworth Road, in a double betrayal of south London. Particularly contemptible is that TravelWatch, and everybody until early June, was reassuring all the campaigners in our area of what it called a "positive outcome." London TravelWatch is meant to be the voice of users, but it has, I believe, used its position to compromise the compromises and undermine stakeholder concerns, acting well outside its job as an advocate for users in London. It is almost like a defence barrister going into court and beginning to collaborate with the prosecution.

London TravelWatch's excuses about unaffordability and balancing the interests of Londoners do not wash. Successfully endorsing the removal of central London links is not acceptable for a watchdog whose remit is to represent commuters. There is no balance, particularly as it has reneged on categorical assurances and views about keeping Victoria links for Clapham High Street and Wandsworth Road. TravelWatch does not, in my view, interact with stakeholders, and is far too close to the rail industry to be an effective advocate, still less one that gets £1.6 million in funding from the London assembly.

I know that the London assembly is rightly considering TravelWatch's funding position. Perhaps I should not say this so bluntly, but I am fairly blunt: I slightly worry that perhaps TravelWatch's involvement with and support for TfL was something to do with its wanting to get TfL to be very much supportive of the continuation of the large amount of funding. In effect, my commuters pay to subsidise a watchdog to remove their services and make their journeys longer, more costly and more crowded. It is an irony that what we pay per year to keep TravelWatch going could give Clapham High Street and Wandsworth Road the four trains per hour service to Victoria.

This all seems to be very much a botched compromise; none of the proposed changes will benefit any of my constituents in the slightest. I believe that they would agree with me and that they would rather keep things as they are than lose an important commuter service for the sake of four trains an hour going to Clapham Junction, which is not a station that they want to, or will, go to. We would rather hold out for future funding to lengthen the platforms, thereby allowing the introduction of the Victoria to Bellingham service, which would properly serve my constituents with four trains an hour to central London.

I am sure that the Minister will be interested to know that TfL spent £18 million on bonuses last year, up from £10 million in 2008. That suggests that it has sufficient money to keep the orbital links. As I said earlier, we should challenge why, as part of a compromise or of making it feel that it is doing something, it will put on four East London line trains to Clapham Junction when two would be enough and would release the capital and capacity for the Victoria services to carry on during the rush hour.

I do not expect the Minister to give me a detailed response on the nitty-gritty of what I have just said. He will probably give me some of the lines that have been put out by TfL, but the final decision on the matter rests with him. I am pleased that I have been granted a meeting to which I will be able to bring some of the local people who are experts on the subject. They may not work for TfL or TravelWatch and they may not earn millions a year, but they actually know what they are talking about. Frankly, they are the kind of people who I hope the Minister and the new coalition Government will start to listen to, rather than the so-called experts who are paid huge amounts of money, but, as I am sure the Minister knows, sometimes forget who they work for and who pays their salaries.

I thank Mr Speaker for giving me an opportunity to raise this matter. I am concerned that we will lose a service and that that will not be in the interests of London as a whole. It will not give value for money, and it certainly will not do anything to solve the congestion problems in south London.

11.12 am

Heidi Alexander (Lewisham East) (Lab): I congratulate my hon. Friend the Member for Vauxhall (Kate Hoey) on securing this debate. I was interested in her comments about the Victoria to Bellingham service, which would have four trains per hour into Victoria, and her preference for waiting for it to come in. A number of my constituents in Lewisham East rely on train services from Bellingham, which is, in effect, a public transport desert. I would very much welcome a service that ran more frequently from Bellingham into Victoria. I wonder whether the Minister, when he responds to my hon. Friend, could give me some guarantee that that option will be fully explored and investigated.

11.13 am

The Parliamentary Under-Secretary of State for Transport (Norman Baker): I congratulate the hon. Member for Vauxhall (Kate Hoey) on securing this debate and on providing an opportunity for hon. Members to discuss rail services in her constituency and further afield. I have always admired the hon. Lady, who is an independent person. Independence of mind is an attribute that we could do with more of in the House of Commons.

[Norman Baker]

The planned changes to south London line services are a matter of concern to several Members, and officials have informed me that the Department for Transport has received significant correspondence on the matter over the past few months. I am pleased that my right hon. Friend the Minister of State, Department for Transport, will meet the hon. Lady in the coming days to discuss the issue in greater detail. Obviously, I will ensure that my right hon. Friend has access to the exchanges in this Adjournment debate.

It is probably worth starting my response by setting out the background to the proposed changes to the south London line, with some details about the existing service. The current service, provided by rail operator Southern, operates every 30 minutes in each direction between London Bridge and Victoria via Denmark Hill and Peckham Rye, including stops at Wandsworth Road and Clapham High Street. Two-car trains run for most of the day, with four-car trains provided for the morning peak. That is the only service for Wandsworth Road and Clapham High Street stations, all other stations on the route being served by other train services. I take the hon. Lady's point about the withdrawal of services to London Bridge and Victoria, and note her dramatic phrase, "a double betrayal".

It should be noted that Clapham North underground station is located some 300 yards from Clapham High Street station, and provides services to the west end, the City and Morden as well as connections to the rest of the underground network. However, I am not ignoring the points the hon. Lady rightly made about overcrowding. As an occasional commuter on the Northern line, I am well aware of the problems. It is also worth noting—I shall come back to this later—that the Northern line will benefit from enhanced capacity over the next couple of years as a result of the planned upgrade that forms part of Transport for London's investment programme.

The latest information on demand levels at these stages, which is provided by Southern, indicates that Clapham High Street is the start or end point of some 850 journeys per weekday, around a quarter of which have Victoria as their origin or destination. By comparison, Wandsworth Road is used for some 630 journeys per day, with two thirds starting or ending at Victoria.

As the hon. Lady knows, several of the planned service changes in her area of south London are required because of the start of the main works at London Bridge associated with the Thameslink upgrade programme. She will be aware that work on the Thameslink programme has already commenced across London: Blackfriars and Farringdon stations are already being rebuilt, platforms outside London are being lengthened and preparatory works at Borough market have begun. When completed, the Thameslink programme will enhance the frequency and capacity of train services throughout the centre of London, improving connectivity north to south and creating new journey opportunities while helping to relieve the Northern line north of London Bridge.

However, while works are carried out at London Bridge, the capacity of the station—the number of trains it can accommodate—will be reduced. We all recognise that any reduction in the number of services that can go into London Bridge is not ideal, but rebuilding and enhancing a busy operational railway is not possible without some disruption.

The original plan, as consulted on by Network Rail as part of the south London route utilisation strategy document, was to divert the south London line service away from London Bridge and to create a new stopping service from Victoria to Bellingham, as the hon. Lady and the hon. Member for Lewisham East (Heidi Alexander) recognise. Bellingham is south of Catford and is a convenient location where trains can terminate. The new service would have reduced the number of train movements into London Bridge while maintaining key connections to and from London Victoria from Wandsworth Road and Clapham High Street as well as from Peckham Rye and Denmark Hill. I note Members' support for that option. It was the Department's intention to implement a Victoria to Bellingham service in place of the existing Victoria to London Bridge service while works at London Bridge were carried out, but the service changes made by TfL—I shall come to those in a second—mean that the alternative service strategy will not now be implemented.

I turn to the East London line extension phase 2 to Clapham Junction and why the proposed Victoria to Bellingham service will not now go ahead. The south London route utilisation strategy developed by Network Rail highlighted the potential benefits that the extension of the East London line would bring to the area of south London represented by the hon. Member for Vauxhall. However, in 2008, TfL and the Mayor concluded that the £75 million scheme was not affordable within the constraints of the TfL budget. Recognising the value of the extension project, the Department offered to provide an additional £15 million as grant to TfL and to support a £19 million funding application to the Office of Rail Regulation for Network Rail works to implement the project, so I think that the Department has been helpful.

As part of the funding proposal, TfL requested the withdrawal of the planned replacement south London line service to Bellingham. The money raised from that was to be diverted to the capital costs of the East London line extension—the saving is the equivalent of £24 million over 10 years. Under the devolved arrangements for London, the Mayor and TfL were, and are, fully at liberty to request such changes, given the powers granted to them over DFT-specified train services. Under the arrangements, TfL can propose, and pay for, services additional to the Department's base franchise specification. Alternatively, it is entitled to propose reductions in service levels and keep any savings made. The latter approach is what TfL proposed in respect of the Victoria to Bellingham service.

It would have been apparent that the proposed service changes would have meant that Wandsworth Road and Clapham High Street would lose all direct services to London Victoria, with passengers instead being required to travel via a change of train at Clapham Junction. However, train frequency at both locations would double from two to four trains per hour in each direction, with a far wider range of services available from Clapham Junction, including to Waterloo, stations on the west London line and the wider Southern and South West

Trains networks, although I appreciate they may not be destinations that all the hon. Lady's constituents want to reach.

Jane Ellison (Battersea) (Con): I apologise in case I have to leave before the end of the Minister's remarks, because I have to ask a question in the main Chamber at 11.30 am.

Slightly fewer of my constituents are affected than those of the hon. Member for Vauxhall (Kate Hoey), but I want to pick up on the point about Clapham Junction, because one problem is that it is not an effective interchange, despite being pretty much the busiest one in the country. I should like the Minister to recognise that the strategic long-term upgrade of Clapham Junction—I do not just mean the £20 million announced in March 2010 before the election—to reflect its status as the busiest interchange in the country is essential to making a lot more services attractive to a great many more people, irrespective of the direction from which they are coming into that station.

Norman Baker: I am grateful to the hon. Lady for her comments.

I stress that we, as a Government, are committed to devolution. We are talking about an earlier example of devolution to TfL and the Mayor, so whatever the Department for Transport thinks we live within the existing legal framework. Therefore, the Department may have fewer powers in this regard than in respect of other rail matters elsewhere in the country.

TfL made a judgment that the East London line service to Clapham Junction provided better overall benefits than the south London line to Bellingham. Clearly, Members present do not share that judgment. It is entirely appropriate that TFL, which is London's transport planning body, should make this judgment and assess the trade-offs between the different service proposals. Ministers in the previous Administration accepted the guidance provided by the Mayor on that being the best use of the limited available resources. If the Mayor and TfL make such decisions—the coalition agreement states that the Government believe that decisions should be taken at a more local level—it is important that they stand behind the consequences of such decisions when they are made, including the impacts on passengers at stations such as Wandsworth Road and Clapham High Street.

The decision not to implement the proposed London Victoria to Bellingham service was requested by TfL and the Mayor to help fund the East London line service. Implementing both the Bellingham service and the East London line would have been ideal, but both services were not affordable and TfL and the Mayor judged that the East London line extension provided more benefits than the diverted south London line. A judgment call was made by TfL in light of the financial constraints it faced. As is the case with such funding agreements, a number of conditions were attached to the funding given by the Department. TfL was fully aware of those conditions before it signed the funding offer.

Importantly, the Department was conscious of the need to keep stakeholders informed of any changes and included a requirement for TfL to inform key stakeholders about the route of the proposed changes. The Department also included a clause stopping East London line services operating into London Victoria. If TfL decided to operate into Victoria we would need to renegotiate, and perhaps reduce, the £24 million funding offer. This may seem an odd condition, but it was put in place because other train operators would have had a claim on the Department for loss of revenue if TfL operated services into London Victoria.

The hon. Member for Vauxhall mentioned her concerns about London TravelWatch. She is aware that following the proposed changes, and significant negative public reaction, TfL and London TravelWatch undertook a further exercise to investigate what mitigation measures could be implemented to resolve some of the problems that stakeholders identified. That study recently reported and the Mayor of London wrote to the Secretary of State regarding its conclusions.

The study suggested stopping some peak-time mainline services at Peckham Rye and Denmark Hill and implementing a new off-peak Victoria to Bromley South stopping service, which would call at Wandsworth Road and Clapham High Street. However, in all its study work, TfL has not addressed the hon. Lady's key concern regarding peak period train services from Wandsworth Road and Clapham High Street to London Victoria. The study was, of course, led by TfL with London TravelWatch and they will need to answer the question about why such services cannot be accommodated, but I understand that a key constraint is the length of platforms at stations, and the costs of extending them, which limits the services that they believe can call at those stations at peak times.

Of course, we in the Department will study the conclusions of the study carefully, but I should make it clear that the Department is unlikely to be willing to fund the mitigation measures that the Mayor is proposing, given that the issues arose because the Mayor sought the withdrawal of the proposed Bellingham service.

Kate Hoey: I really appreciate what the Minister has said so far. Will he clarify something? I appreciate that how we got here is to do with TfL and the Mayor, and TravelWatch, and that it is probably more for Londoners to take up, rather than for the Minister to do so. Could he or the Department say, "No, we want you to look at this matter again", particularly the peak services between the two stations that I have mentioned and Victoria? Or is the Minister told about these things by TfL and the Mayor, with the idea being, in theory, that he is meant to say yes or no—although actually the answer is always yes?

Norman Baker: The hon. Lady makes an important point. I want my response to be exactly right because I do not want to mislead hon. Members, so I will reflect and give the hon. Lady an answer in a moment.

I understand that implementation of the proposed service is likely to cost about £1 million a year, which the Mayor is seeking from the Department. Given our current funding constraints and the likely reductions in available resources in future, an exceptional case would need to be made for any such funding to be implemented.

I note the hon. Lady's concerns about London TravelWatch, which is not the responsibility of the Department for Transport, as she is aware. London TravelWatch is an independent watchdog sponsored

[Norman Baker]

and funded by the London assembly, which is part of the Greater London authority. Any comments regarding London TravelWatch, concerns about its involvement in the study, or how it functions should therefore be directed to the GLA and the Mayor as well as to its chair, Sharon Grant, whom the hon. Lady mentioned. The hon. Lady might also want to contact Passenger Focus, because although London TravelWatch is the predominant body in London—Passenger Focus tends to let it have its say and take the lead there—Passenger Focus has responsibility for rail issues nationally so it may be interested in some of her comments.

In response to the hon. Lady's earlier point, TfL made its proposals to the DFT, as I mentioned. We can ask it to look at the matter again, but doing so risks the DFT being forced to fund such a proposal. As I understand it, we have to be careful not to enter into a discussion with TfL that in any way makes us liable for the decisions of the Mayor, but I will ask my right hon. Friend the Minister of State to give the hon. Lady further clarification about that important point when they meet.

Kate Hoey: I thank the Minister for that helpful comment. It seems silly to put the matter through departmental bureaucracy if the Department can never say, "No, we don't like this." Could the Department say, "Look, actually, in the end it's probably better for this not to be changed at all," and not put in the money? Who is benefiting from the extra money that is going in?

Norman Baker: A number of factors must be taken into account, including, first, the devolved powers for the Mayor and TfL, which most Londoners would probably support—we are trying to devolve powers away from central Government; secondly, the legal restraints and legislation made in respect of the Mayor and TfL; and thirdly, the consequences for other rail operators. There is a complicated matrix to consider and I do not want to give a misleading answer today, so I will draw the hon. Lady's concerns and comments directly to the attention of my right hon. Friend the Minister of State to ensure that she gets a proper, full answer when they meet.

The East London line will bring significant benefits to the part of south London that we are talking about, providing four trains an hour regularly between Clapham Junction and Dalston seven days a week and providing connections to key interchanges to other parts of the London transport network, such as at Canada Water, for example.

On the Northern line, and crowding issues at Clapham North station, the hon. Lady will know that London Underground is planning an upgrade of the Northern line to be implemented in 2012, which will increase frequency on the southern end of the route from the current 28 trains per hour to 32. The additional capacity will help to relieve crowding issues on that section of the network. There are concerns about the spending review and funding arrangements, but we hope that the Mayor will be able to deliver the upgrade on the Northern line, as previously announced.

Members have mentioned Clapham Junction station and its use as an interchange station for London Overground services. It must be remembered that in Network Rail's plans to 2014, suburban trains through Clapham Junction to both Waterloo and Victoria will be lengthened to 10-car services. Works are also already under way to improve the interchange facilities at Clapham Junction by providing new lifts, and plans are in place to improve access to the station, for example, by providing a new entrance.

Although the changes to train services in south London are largely driven by the need to accommodate train service changes at London Bridge, the proposed Victoria to Bellingham service would have mitigated a number of the impacts of those changes. The changes to train services at Wandsworth Road and Clapham High Street and the severing of the link to London Victoria were made at the request of the Mayor of London, under the arrangements that cover rail services in London.

We will, of course, reflect on the comments made by hon. Members during this debate and consider the issues that have been raised.

11.30 am

Sitting suspended.

Courts Service

[Mr Jim Hood *in the Chair*]

2.30 pm

Mr Mark Williams (Ceredigion) (LD): It is a pleasure to serve under your chairmanship, Mr Hood, and I am grateful to have secured this debate. Reorganisation of the Courts Service will have a significant effect on the way in which justice is provided throughout the United Kingdom. I hope that this debate will provide an opportunity for hon. Members throughout the House—there is a healthy bias from Wales in the Chamber—to reflect on facilities that may be changing in their constituencies. Notwithstanding consultations, I am sure that the Minister will take note of the points raised this afternoon. In the spirit of constituency interests, I shall concentrate on the future of the magistrates court in Cardigan, and access to justice in Ceredigion and more generally in the rural communities that many of us serve.

The consultation document usefully sets out the distances involved in closing various courts, and the public transport implications for constituents. The alternatives to the magistrates court in Cardigan are Aberystwyth in the north of Ceredigion and Haverfordwest in Pembrokeshire. The consultation document states that Cardigan is 38 miles from Aberystwyth and 29 miles from Haverfordwest. They are further away than any of the alternative courts that are proposed for closure anywhere in Wales. The distances that people will be expected to travel are longer than any others on a long list in Wales.

However, there is optimism about the public transport alternatives, although my confidence in the public transport system is not shared by many of my constituents. Someone going to court in Aberystwyth in the morning would have to catch a bus from Cardigan at 7.20 am, and then face a significant walk from the bus stop. When referring to points on a map, we are talking not about A to B or B to A, but about vast geographic areas. We are talking not just about the people of Cardigan going to Aberystwyth, but about large communities—Aberporth, Llanarth, Llandysul—and huge swathes of west Wales. We are talking not about bus services and other transport links from Cardigan, but about those from outside. Rurality and public transport has largely been ignored in the consultation document to date. Many residents of the villages in south Ceredigion are simply unable to get to Aberystwyth or Haverfordwest in the morning by public transport.

Dr Andrew Murrison (South West Wiltshire) (Con): Does the hon. Gentleman share my concern that problems with public transport bear down particularly on those who are most vulnerable and who lead the most chaotic lives in society? The previous Government were happy to close down magistrates courts, including that at Trowbridge in my constituency. That argument may apply more to magistrates courts than to county courts, but it worries many of us that those who will be most disadvantaged by the closure programme are the most vulnerable in society.

Mr Williams: I share the hon. Gentleman's concerns. There is an underlying assumption that public transport is an add-on and that people can access court facilities in a private vehicle, but that does not apply to many of the people to whom he referred. They are completely reliant on public transport, and all too often it does not exist.

Albert Owen (Ynys Môn) (Lab): I congratulate the hon. Gentleman on securing this important debate. He is talking about people on the periphery, and there is a double whammy because many facilities in Wales are drifting eastwards from areas such as those that he and I serve. Does he agree that the proposed local government cuts will impact on the transport system, which is already fragile in such areas, so there is a double whammy with the closure of justice centres and contraction of the transport system?

Mr Williams: I appreciate the hon. Gentleman's concern. I have tried to raise the same point over the past five years. For example, the bus subsidy grant from which many of my constituents have benefited has contracted over the past five years. Given the challenges to the public purse, that contraction looks set to continue. That is a worry, and I shall not deviate from that.

Access to justice is a key right for us all, and we will not be able to run the most economically efficient service without failing to provide the level of service required. That does not mean that we should never seek savings from the service or explore other ways of delivering a better service, but we must fully consider the impact of the loss of that service on the community.

Dr John Pugh (Southport) (LD): I congratulate my hon. Friend on securing this important debate. I agree that reducing the number of courts is all about savings, but all the research that I have looked at shows that the real waste in magistrates arises from an appreciable amount of non-attendance and people not being chased up for their fines. I do not understand how reducing the number of magistrates courts will improve non-attendance.

Mr Williams: My hon. Friend draws our attention to a practical problem. Some of us are looking further ahead to ensuring that the magistrates court system serves people. We are discussing not short-term decisions, but a longer term view of the network that we want. The issue is valid.

I note that the consultation objectives include the commendable pledge to

"ensure the estate supports the challenges of rural access".

Having looked at the documentation, I contend—I suspect that others will share my view—that that is not the case. The problem of access is not unique to rural areas, but it is a huge problem, and will be detrimental to Cardigan and the surrounding area.

Chris Bryant (Rhondda) (Lab): I am glad that the hon. Gentleman made the point about rural and non-rural areas. The Rhondda is not rural in one sense, because there is a conglomerated community and people live close to one another. However, if Llwynypia magistrates court disappears, the number of people who are unable or fail to attend court is likely to increase dramatically because they will have to travel all the way to Pontypridd. It is likely that many people, including the victims of crime, will not receive justice, and defendants may get off scot-free.

Mr Jim Hood (in the Chair): Order. We have had five interventions, each of which has been a wee bit longer than I expect interventions to be. If other hon. Members are tempted to intervene, perhaps they will be brief.

Mr Williams: Thank you, Mr Hood. I congratulate the hon. Member for Rhondda (Chris Bryant) on his early-day motion 312, and prompted by the excellent research note, I have just signed it. He is right to make the point, but he will forgive me if I focus on the rural challenges. I am sure that he will make the point about urban communities. The problem involves the practicalities of living in rural communities and accessing services, but access to justice as a right is a much bigger picture. He mentions in his early-day motion victim support and the implications for that.

A constituent of mine, who is a justice of the peace, acknowledges that usage of Cardigan court is low, and that that is largely due to the facilities not being good enough to accommodate many cases because of under-investment over the years rather than lack of need. Custody cases cannot be heard because of a lack of suitable cells; special measures trials are difficult because of a lack of facilities; and the court is not compliant with disability discrimination legislation. If the villages south of Ceredigion and north of Pembrokeshire are included, he estimates a catchment area of nearly 40,000 people, which should surely be enough to justify a modern court building with the necessary facilities to hold a wide range of cases.

It is also crucial to remember that the closure will not only affect those individuals who will be denied convenient access to justice. Legal providers and witnesses will be forced to travel extra distances, which might be an added deterrent. If police officers are required to give evidence, those based in Cardigan will have an additional distance to travel. There is pressure on neighbourhood policing in rural areas. The areas are vast and, as the hon. Member for Ynys Môn (Albert Owen) will agree, there is a problem of resources. The pressures on police forces in rural areas look set to continue.

A concentration of court services away from rural areas could lead to the same trend in the availability of legal advice. People will have to travel to Aberystwyth to attend court, and they may have to travel to access legal advice. Even if that doomsday scenario is not reached, the closure will certainly have an impact on local providers of legal services.

I welcome the fact that the documentation contains a section on rural-proofing, but I fear that Cardigan is a long way from being rural-proofed. The standard of public transport is not adequate for the purposes suggested in the proposals. During a debate on court closures in Yorkshire that took place in Westminster Hall last week, the Minister stated:

> "Recent improvements in transport and communication links mean that people can travel further in less time if they need to." – [*Official Report*, 7 July 2010; Vol. 513, c. 131WH.]

I am sure that that is true in many parts of the country, but it is not the case in west Wales where public transport has suffered over the past few years and, if anything, we have a less comprehensive service than that of several years ago.

I accept that there will always be local opposition to any change in the service, but I have been struck by how strongly people in Cardigan feel about this proposal, and the impact that it will have on the community both because of difficulties with public transport, and because of straightforward concern about lack of access to justice.

Albert Owen: There is also an economic argument. Many of the court areas have solicitors' offices built around them. That is certainly the case in Llangefni in Anglesey. Does the hon. Gentleman recognise that and does he agree that measures have already been put in place for legal providers to move to other courts, as has been highlighted?

Mr Williams: I agree with the first point, which was the concern I raised earlier. Legal providers will move to the destination of the court, and that will leave a vacuum elsewhere. Many people will be concerned about the impact on areas that have high levels of deprivation. Cardigan contains the two most deprived wards in Ceredigion, Teifi and Rhydyfuwch, which are in the top 20% most deprived wards in Wales. In the community safety domain of the Wales index of multiple deprivation, which covers recorded crime, youth offenders, adult offenders and fire incidence, Cardigan's Teifi ward is in the top 5% of the most deprived wards in Wales. Consequently, Cardigan town council has written to me and to the Secretary of State expressing its concern at the proposals and raising many of the points that I have mentioned. The council was grateful and pleased that Cardigan has acquired a new police station with eight cells, but it feels that there should be a new court building adjacent to that police station.

There has been some suggestion that we should move towards a model that has group facilities and can achieve swift, community-based justice and make operational savings. The combination of facilities on a single site has many advantages, but I fear that sometimes the understandable drive for efficiency has clouded the vision of the best way to provide justice. Although we are not in a position to build many new facilities across the country, if we lose locations that provide a greater function to the justice system, there is a danger that we will never be able to implement that vision.

It has been suggested that Aberystwyth—38 miles north of Cardigan—is capable of taking on the extra work that would be necessitated by the closure of the court at Cardigan. The consultation points to the construction of a new justice centre in Aberystwyth, which I welcome, but the Minister will be well aware of the delays in that project after the collapse of the developers involved. Originally, the project was to have included a Crown court, with Aberystwyth serving as a mid-Wales hub for justice. Currently, the nearest Crown courts are in Carmarthen, Swansea and Welshpool.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): And Dolgellau.

Mr Williams: And Dolgellau—I thank the hon. Gentleman for adding that to my list. There remains a case for a Crown court in Aberystwyth, even if the money is not currently available.

I have written to the Minister and his predecessor, Bridget Prentice, who I met. However, there is as yet little concrete information to report. As such, the closure of a magistrates court in Cardigan is predicated on a

project that we hope will happen, but for which we have no time scale. I hope that that concern will be noted in the consultation.

The *Cardigan and Tivyside Advertiser*, which serves Cardigan and the surrounding area, has launched a campaign to save the court. One of its concerns is about the continuation of court reporting which, as I am sure the Minister will agree, is vital to our democracy. The newspaper does not have the resources to send reporters to Haverfordwest or Aberystwyth, and if the court closes, it will have to end its reports on Cardigan cases. That is not a justification for keeping the court, but it is an important point none the less.

Concerns have been raised about the decline of court reporting and the impact that that has on transparency. By and large that decline has been the result of newspapers deciding that it was not in their economic interest to cover court cases, but if the Government take decisions that will impact on public access to information about court proceedings, that factor should be considered.

Under the proposals, Ceredigion and Pembrokeshire local justice areas are to be merged. I do not oppose that, as it seems to be a sensible extension of the collaborative work that is already taking place. However, I seek clarification from the Minister that justices of the peace would not be required to be on the bench for all courts within that larger area, as that could become unmanageable. The principle of the merger, however, has been accepted, and I hope that any issues of practicality can be resolved.

One of the justifications for the proposals is the cost. The reorganisation is expected to save about £15.3 million a year, and make a one-off saving of £21 million from backlog maintenance. Closing the court at Cardigan means a saving of £88,000 a year, as well as a saving of £85,000 from backlog maintenance. Although all savings are to be welcomed, those figures are relatively small—perhaps they will multiply as we hear from other hon. Members about their own areas. We must consider whether the savings provide value, and Ministers will have to decide whether the loss of the service is worth the savings that will be made. In Cardigan, I do not think that that is the case.

The Magistrates Association has noted that while the consultations are carried out, an advertisement has been placed for 30 district judges. That has caused understandable concern to lay magistrates. I would be grateful if the Minister would address that point and provide some reassurance to lay magistrates that their role in the justice system remains valued.

I appreciate that money can be saved from the Courts Service, and I appreciate the need to find savings across the Government. However, this decision is not about cutting budgets for a few years, but about depriving communities of a service for a generation if not longer. The Minister has rightly stated that the Government will be judged not on the amount of money spent but on the quality of justice provided. That is a fundamental principle. On that basis, has he considered the suggestion by the Magistrates Association to allow magistrates courts to do more, thereby ensuring that our courts are properly used and provide local access to justice?

The Government must make their decision based on the need for the service. There is good reason to reorganise the Courts Service, and consider which courts we want and need and which ones we do not. However, that must not be obscured by the search for savings in which all Ministers participate. These are crucial decisions that will shape the nature of justice in Ceredigion and the rest of the UK for many years. This service should not be decided on the basis of the bottom line.

2.48 pm

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): It is an honour to serve under your chairmanship, Mr Hood, and may I begin by congratulating the hon. Member for Ceredigion (Mr Williams) on securing this vitally important debate? As many hon. Members will testify, the issue will have a major impact on a great number of our constituents. In my constituency, the proposed closures will be a hammer blow to the local area, eroding the connection between the local community and justice provided through the magistrates system. I have spoken to local residents and solicitors, and there is great concern. If the proposals go ahead, and the notion of justice being directly linked to the communities in which the crimes took place is lost, the entire ideal of fairness in our society is put at risk.

Looking at the detail of the proposals, I can only assume that the courts facing closure have been chosen completely at random. Any examination of the impact of the closures makes it clear that the suggestions are not practical, especially in my part of the world. One of the courts down for closure in my constituency is Llandovery. That certainly highlights the off-the-cuff approach that the UK Government have taken. Anyone with knowledge of the provision would have pointed out that the Llandovery service has been closed for some time. I can only hope that it was not the Ministry of Justice's intention to shut the town's library, which has been operating from the site for the past few years. *[Interruption.]* Well, I hope not.

However, what is deeply concerning is the lack of attention given to the impact of closing the main service in my constituency: Ammanford magistrates court. One justification given for shutting the court services in Llandovery, in the north of Carmarthenshire, was that people there could make the long journey to Ammanford. As someone who makes that journey by private means as part of my job as a Member of Parliament, I can attest to the fact that it can take close to an hour, even though the route is serviced by the main Swansea to Manchester trunk road.

The most recent round of closures will require people from the Llandovery, Cilycwm and Rhandirmwyn areas—some of the most isolated parts of Wales—to make an extended trip out of the constituency to Llanelli. For people who can call on private transport, that is difficult at the best of times, but for those who cannot, and with such poor public transport services in the county, it will be almost impossible for many people. We must also remember that the Government will be asking people to take on the additional expense of public transport or added petrol costs at a time when families are already making very difficult choices as a result of tightening family budgets.

The north of Carmarthenshire to Llanelli is not a natural public transport route, with only the Heart of Wales rail line providing a direct service. Those who have travelled on that beautiful rail track will know that

[Jonathan Edwards]

the services are not regular enough to allow convenient travel to Llanelli. Trains run on the line at four-hour intervals, if my memory serves me correctly. In my constituency, that has an impact not only on those travelling great distances to Ammanford, but even on people in the surrounding Amman valley area. Closing Ammanford court will result in people in areas such as Brynamman, Garnant and Glanamman in the upper Amman valley having to catch several different buses, often with long waiting times between connections. The first direct bus from Ammanford to Llanelli does not arrive until 10.30 in the morning. My constituency would also be left without a single court.

I recently spoke to someone who plays an active role in the Courts Service in Carmarthenshire, who explained how one defendant had asked to be sent to jail as they did not consider it financially or physically possible to undertake community service in another part of the county due to the limited availability of public transport. There is certainly a strong case to be made that by closing those sites and expecting defendants, witnesses and court employees to travel further at great personal cost, we will inevitably end up with a situation in which the amount of time and effort spent on chasing individuals who do not turn up to court will rocket. That point echoes one made earlier. It could be counter-productive with regard to saving the public money. There is also the cost of the police having to go further to obtain warrants, leaving their beat, which would be a big blow for the town of Ammanford.

It is evident when considering Ammanford court in my constituency that the decision was made without evaluating the individual merits of the court. Over the past few years, £59,000 has been spent refurbishing the facility. It seems extraordinary that such a large amount of public money could be spent improving the court to make it—as I am told—a good-quality building and a state-of-the-art magistrates court, only for it to be closed without a second thought. That totally contradicts the mantra of value for money that is supposed to be at the heart of the proposals and the consultation.

This is not the first time that Ammanford court has faced the threat of closure. In the last round of closures, Ammanford was also on the hit list. Local magistrates and the local legal community believed that the recent investment in the court would safeguard its future and were very disappointed to see Ammanford in the consultation document. They are clearly very concerned about the Government's proposals. The hon. Member for Ynys Môn (Albert Owen) made an excellent point in that respect. The legal community in the town has set itself up around the court and there would be an effect on the economy if the court were to move.

The proposals would also create just one Carmarthenshire bench. The Dinefwr bench, which currently serves my constituency, covers one of the most concentrated areas of Welsh speakers in Wales and provides a fully bilingual service. Justice is therefore delivered in the language of choice of defendants. People are especially proud of the bilingual scheme; it is one of the foremost schemes in Wales. There are concerns that the loss of the Dinefwr bench could dilute that service. I seek assurances from the Minister today that if there is to be a unified Carmarthenshire bench, he will do his utmost to ensure that the bilingual service is fully maintained.

I strongly oppose the proposals, as they will have a hugely detrimental impact on community-based justice delivered by local magistrates. I urge the Minister to reconsider his proposals, especially in Carmarthenshire, where the negative impact of the closures will be felt throughout the county, especially among the most vulnerable in society. Diolch yn fawr iawn.

2.54 pm

Andrew Percy (Brigg and Goole) (Con): I do not intend to take too long today, because I introduced a debate last week on the proposed closure of Goole and other courts, but there are one or two issues that I was not able to bring out in that debate that I would like to cover now.

I agree with the point repeated by the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) and originally made by the hon. Member for Ynys Môn (Albert Owen). The legal community is often set up around the courts. The situation is exactly the same in Goole, where solicitors firms and the police station are attached to the court, to the point that there is a connecting tunnel and the services available in the police station are also available to the magistrates court. We have a legal quarter in Goole that is obviously threatened by the proposals.

Like some hon. Members who have spoken, I represent a largely rural constituency. The East Riding of Yorkshire council is the largest unitary authority in England, covering 1,000 square miles. The point I made last week was that we went through a reorganisation 10 years ago in the East Riding, which left us with four courts, including the one in the city of Hull: two in the centre of the East Riding and two at either extreme of the area, one in Goole and one in Bridlington. We are now in the strange situation that the court furthest away, in Goole, is the one under threat.

There has been an attempt to achieve efficiencies because the back-office functions are already centralised with Beverley. The biggest concern for me is that a large proportion of defendants who are dealt with in Goole are from the local area. We now have the strange situation—I repeat this point because it is important—in which defendants from the Goole area will have to travel to Beverley to access justice.

Research shows that it will take most people who want to travel by bus up to two hours to get to Beverley, involving a change of bus in Hull. Depending on the route that people follow, the least time that they can take is one hour and 25 minutes, but the more likely time, given how the timetables work, is one hour and 56 minutes to travel by public transport from Goole to Beverley. It is important to point out that there is no direct bus service. Services from other parts of the East Riding are unaffected by the proposals, but people in Goole who want to get to Beverley will have to travel via Hull, where there is already a magistrates court. I referred to that last week. We will have the strange situation of people who want to take the bus to Beverley magistrates court sitting on the bus, travelling past another magistrates court, in Hull, getting off the bus,

waiting for a connection and then getting on a bus to Beverley. They will have to travel some 39 miles to access local justice.

That is a huge concern for the magistrates and for people in the Goole area. The risk, of course, is that people simply will not turn up. I would like to see some assessment from my hon. Friend the Minister and from the Ministry of Justice of how many cases or how many defendants or witnesses they expect to be affected by this move. In particular, how many are likely to choose not to attend?

I touched on the issue of the utilisation rate in my debate, but was not able to go into great detail. I followed it up with a written question to the Minister, which on the face of it may not have been particularly useful to my argument. That is perhaps a lesson learned for the future. I went back to the magistrates and asked for more clarification of the issue. There is quite a low utilisation rate for the courts in Goole, but that is because we have two courts—court 1 and court 2, which are taken together. Actually, the utilisation rate for court 1 is exceptionally high. The magistrates inform me that it is upwards of 70%—probably nearer 80%. We have a low utilisation rate for court 2 because not taken into account in that figure is the fact that the room is used for other meetings. It is a resource that supports the work in court 1. However, that does not come across in the utilisation rate. In the past, court 2 has been used by the commissioner for taxes, the Department for Transport and others.

I did not go into politics just to be against things; I also want to suggest possible solutions. One solution that I would like considered is bringing other services to Goole, possibly tribunals, so that we can make the system sustainable as we move forward.

I mentioned briefly last week the matter of deprivation. On some measures Goole is among the 10% most deprived areas of the country. We have the strange situation of people in the most deprived parts of the East Riding, which includes Goole, facing the longest trek to access justice and the most expense.

Chris Ruane (Vale of Clwyd) (Lab): Is the hon. Gentleman aware that two courts in my constituency will be closed? The one in Rhyll covers the first, fourth and fifth most deprived wards of the 1,900 wards in Wales. Does that make sense?

Andrew Percy: The hon. Gentleman makes a good point; that is where the biggest impact would be felt. I am sure he will make that clear during the consultation process, because it is a huge concern that the most deprived should feel the greatest impact.

I was about to say that despite the best efforts of the dynamic Conservative-run East Riding of Yorkshire council, Beverley still has some of the highest parking charges in the region. Even if people are fortunate enough to be able to get there by their own means, they will be faced with the prospect of having to pay significant parking charges.

I did not get the chance last week to talk about the county court that operates outside Goole. That, too, is proposed for closure, and its services are to be transferred to Doncaster. Yes, we have reasonable transport links with Doncaster, with direct bus or train services. However, no figures are given in the document on how much will be saved by closing Goole court. Although it operates as a courthouse for only one day a month, it provides a vital service. Once we lose it, people will be forced to travel to Doncaster. We will have people heading to Doncaster in south Yorkshire, and others having to travel 40 miles by public transport to Beverley.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): Another aspect of the transport difficulties is the cost. It is proposed that a magistrates court in Guisborough in my constituency should be closed. The transport links go through the same villages, and it is highly likely that witnesses, defendants and plaintiffs will all be getting on the same bus when going to court, once it is moved to Middlesbrough or Darlington. Without a local court service, which they already have, that will happen more often.

Andrew Percy: The hon. Gentleman makes an important point. The situation could be the same in many of our constituencies, and it is a matter for concern. Sadly, it is not dealt with in the consultation document.

I said that my area could be left with a justice black hole, as we will also be losing Selby magistrates court under the proposals. We should be genuine about wanting to see justice being delivered, but to some concern among Conservative Members the Justice Secretary has spoken of the need for more community sentencing. If we are trying to bring justice to the community, we will need local courts so that people can access it.

I do not wish to say much more, but one point that I made last week is worth making again. It falls outside the consultation criteria, but I make it with as much passion as I can. Despite Goole's history of being knocked for many things, over the past few years we have been trying to do something with our heritage. The courthouse at Goole, which is part of the police station next door, is a Victorian building. It is a fantastic building, and it forms a huge part of our local heritage. We are trying to preserve that heritage to draw people into Goole. We have more than the docks; we have some interesting heritage and history, but one of our oldest and best-maintained buildings faces an uncertain future. I know that will not be factored into the decision-making process, but it is important. We are keen to preserve our heritage, on which note I shall resume my seat.

Several hon. Members *rose*—

Mr Jim Hood (in the Chair): Order. The Members who wrote to Mr Speaker requesting to speak in this debate have all spoken. Other Members have indicated to me that, if possible, they would like to speak. We have some time, but I intend to start the Front-Bench speeches at 3.30 pm. If the Members I call use their time wisely, we may be able to accommodate everyone who is interested in making a contribution.

3.4 pm

Chris Ruane (Vale of Clwyd) (Lab): I congratulate the hon. Member for Ceredigion (Mr Williams) on securing this important debate. It is pleasing to see so many Members here, and many of them—I think six—are from Wales.

Two of the 156 courts to be closed are in my constituency—a county court in Rhyll and a magistrates court in Denby. I have been to a briefing with the Public

[Chris Ruane]

and Commercial Services Union, which has given me an excellent note. I want to tease out some of the points it mentions as they relate to my constituency, and I have some specific questions for the Minister. However, my questions about the courts in my constituency apply to all the courts under threat of closure.

I said in an intervention that the court in Rhyll is located in the heart of the poorest ward of the 1,900 wards in Wales. Two other wards there are fourth and fifth in the league table of deprivation in Wales. The pre-consultation and consultation period for the closures is not sufficient; it finishes in September and most of it will take place over the holiday period. Will the Minister extend it so that full consultation can take place in those communities? I hope he will write to me, giving answers to my specific questions. I intend putting that information out in the community, giving people a reasonable time to give me feedback and for me to pass it on to the Minister. Will he review the time scale?

I have other specific questions. How many cases have been moved from the Rhyll and Denby courts to other courts over the past two or three years, and to which courts were they moved? The equality impact assessment in the public consultation document provides no assessment of the potential impact on users broken down by disability, gender, ethnicity, impact on families and—dare I say it?—social class. Who will be affected, and who will be adversely affected?

Will the Minister provide me with the number of cases heard annually in the last three financial years and how it compares to the national average? Will he provide me with the projections made by Her Majesty's Courts Service for the future caseload of those courts, and the utilisation figures for each court affected and each of the courtrooms in them? How many courtrooms are there in each of those courts, and how many courtrooms are currently in use?

Will the Minister tell me the number of cases disposed of in chambers over the last three years, and the breakdown of the number of staff in each of the courts affected by grade, by full and part-time working, and by disability, gender and race? Is it possible to have the court user surveys for the two courts affected in my constituency?

Has the maintenance backlog been included in the savings? If so, has finance been set aside, or is it merely sleight of hand? What were the maintenance costs for the buildings in Rhyll and Denby over the last three years, and has there been any refurbishment in the past 15 years? If work is to be transferred, what are the estimated refurbishment costs at the receiving courts? Which will be the receiving courts in my constituency? If the reason for closure is the state of the accommodation, has alternative accommodation been sought in Rhyll or Denby? If not, why not?

Those are the questions that I would like the Minister to answer, and I would appreciate him doing so as soon as possible. I can then pass the answers on to my constituents so that we can have full, proper and meaningful consultation about the proposed closures.

3.9 pm

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): May I declare an interest as a former solicitor and a member of the Bar? I have practised in every one of the courts that are under threat in mid and north Wales and I can speak about the quality of those buildings and of the service available in them. I congratulate the hon. Member for Ceredigion (Mr Williams) on securing the debate, and I share the concerns of my hon. Friend the Member for Carmarthen East and Dinefwr (Jonathan Edwards) and others who have spoken.

My theme is access to local justice. I am concerned about the proposed closure of Pwllheli magistrates court. I have the honour to represent one of the two largest constituencies in Wales in terms of geography; indeed, it is probably among the top five or 10 in the whole UK, stretching 100 miles from north to south and 90 miles from east to west. It currently has two magistrates courts, one of which is under threat, and that is an abysmal prospect for those with any notion of local justice.

I heard what the hon. Member for Ceredigion said about amalgamating magistrates court areas. I can assure him that people from Pembrokeshire will be required to travel all the way up to north Ceredigion; indeed, people are already doing that in the area that I represent. Consequently, justices of the peace are not putting their names forward for appointment, and good people who could do a decent, good job for their communities are not doing so. It is not a coincidence that we have an advert for 30 district judges. It is disturbing but true that the proposals will be one of the nails in the coffin of the lay magistracy, and we should not run away from that fact.

One thing about being in the House for a while is that one sometimes has a feeling of déjà vu. In the 1992 Parliament, the Blaenau Ffestiniog court in my constituency was threatened. We appealed, but, fortunately, a general election intervened, and there was then a new Minister. What came out of that process, however, was that closing the court offered a marginal saving of £11,000, but that did not take into account the added travelling time for solicitors, barristers, police, JPs, probation officers and, in youth cases, social service workers. When that was taken into account, there was no saving. What makes all this worse is that about £10,000 or £15,000 was spent on the building a few months ago to make it DDA-compliant, but it is now being shut down.

I hope that we have a proper consultation, and I echo all the questions that the hon. Member for Vale of Clwyd (Chris Ruane) has just asked. I also ask the Minister to tell me how many cases have been moved from Pwllheli magistrates in the past three years, where they ended up and how many hearings were involved. Why is it considered appropriate for one of the largest constituencies in Wales to have one magistrates court? For heaven's sake, it is ridiculous.

When I qualified back in the mists of time—in the mid-70s—there were six magistrates courts in Meirionnydd. Arguably, that might have been too many, but we now face the prospect of having just one magistrates court in a far larger area than the whole of Meirionnydd. I am deeply concerned.

Stephen Barclay (North East Cambridgeshire) (Con): Like me, the hon. Gentleman represents a large rural constituency. Does he find it paradoxical that new housing developments take place in rural constituencies such as ours, but that services are centralised in the

cities and moved away from rural areas, with a total disregard for long-term population growth? That is the same long-term plan on which the consultation is premised.

Mr Llwyd: That is absolutely right. That is contributing to rural poverty and to difficulties in obtaining services in rural areas, and we are talking in this debate about a service.

I am also concerned about the notion that somebody from Aberdaron in the west of my constituency can get to the proposed centre in Caernarfon by bus by 10 o'clock in the morning. I doubt whether that is possible, but if it were, there is the likely and plausible scenario that they will meet witnesses on that same bus. What happens next? Interference with justice, and perhaps even violence—I do not know. I am concerned about that. I hope that this is meant to be a proper consultation, but I have my doubts.

The hon. Member for Ynys Môn (Albert Owen) made a few points. It is proposed to close Llangefni magistrates court and Llangefni county court and to move things to Holyhead. The consultation document says that Holyhead is 20 miles away by bus. Curiously, although the magistrates court in Llangefni is opposite the county court—they are within yards of each other—the document tells us that it is 20.6 miles from the magistrates in Llangefni to the magistrates in Holyhead and that that costs £2.60 on the bus, but that it is 20 miles to Holyhead from across the road and costs 60p less on the same bus. I do not think that the documents are at all robust. We want proper, robust figures; we want the justification for these damaging closures. However, I end by saying that in my nearly 20 years in this place, I have not yet seen a serious consultation take place in August.

3.15 pm

Dr Andrew Murrison (South West Wiltshire) (Con): I congratulate the hon. Member for Ceredigion (Mr Williams) on securing this important debate. Unlike the hon. Member for Dwyfor Meirionnydd (Mr Llwyd), I believe that the consultation will be conducted in the right spirit. I am also sure that my hon. Friend the Minister will be open to reasonable persuasion, and I make my remarks in that context. Equally, I understand that he, like all Ministers, needs to effect savings in the extremely difficult financial circumstances that we have inherited. Nevertheless, it is an important principle of law in this country that there should be equality before the law and that people should have equal access to justice, and it is access that chiefly concerns me.

In Trowbridge, the county town of Wiltshire, which is a very rural area, we have experience of court closures. Under the previous Administration, we had the closure of Trowbridge magistrates court, and I have to tell the Minister that that has not improved access to justice one bit. Although I fully accept that vulnerable groups are perhaps likely to be more disadvantaged in magistrates courts than in the county court system, because of the kinds of case that are heard in them, the same argument nevertheless applies to county courts. Some hon. Members will be surprised to learn that there are a large number of vulnerable and disadvantaged people in my constituency, and they will be disadvantaged by the closure of Trowbridge county court. I am concerned about them above all because they will be relatively disadvantaged in accessing justice, while others will have an advantage over them, which cannot be right.

The consultation document describes Trowbridge county court as underused, but that is not so. It is open five days a week, which is not necessarily the case for many of the courts under consideration. For example, it is used more than Bath, which is 12 miles away, and Salisbury, which is 30 miles away.

The proposals seem to rely on assumptions about the utility of video links, telephones and online services. I would counsel a bit of caution, however, because I have great experience of the health service, where plans have historically been put in place that rely on assumptions about developments and innovations that are, in fact, several years down the line. If the current proposals take effect, and we close court houses on the assumption that innovation would take up the slack in some way, we might be a little premature.

The proposals are driven by a need to update premises and to ensure that we comply with domestic and European legislation. That is all very well, but there is a dynamic between the need to upgrade and the need to maintain equal access to justice. We note that Lord Young is reviewing the impact of health and safety legislation, and many of his findings may be relevant to the debate. We have some experience in Wiltshire of the need to upgrade court houses. In Salisbury, a great palace of justice has been created, and its case was based on the need to upgrade premises. As a result, we lost Trowbridge magistrates court, disadvantaging my most disadvantaged constituents.

I genuinely hope that the consultation will be conducted with an open mind. Indeed, under the stewardship of my hon. Friend the Minister, I am confident that it will be. I am equally confident that he will see good sense and make sure that Trowbridge county court is removed from the list of the vulnerable.

3.19 pm

Chris Bryant (Rhondda) (Lab): I, too, congratulate the hon. Member for Ceredigion (Mr Williams) on securing the debate, and on signing my early-day motion. Many hon. Members have specific concerns and have rightly advanced arguments about equality of access to justice in rural areas. As I was pointing out, my constituency in the Rhondda is not, properly speaking, rural, although we still have sheep parading down the streets most days of the week—mostly in an inconvenient way—and nearly every house is within half a mile of a farm. Those are very different farms from the ones in Surrey and other parts of the country, but nevertheless it feels to many people as if they need only lift their eyes to see the hills. The Rhondda feels like a rural community. More importantly, the communities there are valley communities, and the further one goes up the valley the less access there tends to be to larger shops or, for that matter, the services provided by national Government, the Welsh Assembly Government or local government. That is one of the problems driving depopulation at the top ends of some valleys, which may be very beautiful but none the less have economic problems. People rightly ask themselves, "Is someone just choosing to close us down?"

[Chris Bryant]

One of the very few national Government presences in the Rhondda now, other than the police, is the Llwynypia magistrates court. Her Majesty's Revenue and Customs has moved out many of its staff who worked in the Rhondda. In fact it has been moving them out of Pontypridd as well. My argument to the Government is that I of course fully understand that savings must be made—the Ministry of Justice must ensure that it operates justice in the most financially efficient way available, especially in these straitened financial circumstances—but there are two functions involved. The first is that of providing justice efficiently and effectively; however, the other is how to create links with every other aspect of government. If it feels as though whenever a choice must be made, the Government constantly choose to close offices in more peripheral communities, longer-term economic problems are effectively created in the areas concerned, and they will have to be rectified by another part of Government.

The classic instance is crime in the Rhondda. If we have a greater sense of deprivation and of the Rhondda being a place where people lived in the past, but where they should not bother to live in the future, because even the Government cannot be bothered to keep a magistrates court there, we will have greater problems with economic revival in the constituency, and that will lead to greater crime problems. In addition, the Rhondda is not an easy place to get around without a car, and many of my constituents cannot afford one—in particular the 13,000 pensioners. Because of that geography, with two valleys—some say a passport is needed to go from one to the other—it is already all too easy for defendants never to turn up at court. For that matter, it is pretty easy for witnesses to crimes not to bother to turn up. Consequently, magistrates court officials and the police spend vast amounts of time pursuing defendants who should have been at court on a certain day, to get them to make an appearance the following week. That is one of the most significant elements of the inefficiency in the present service. I am concerned that the problems will multiply if Llwynypia magistrates court, which has managed to improve its statistics dramatically in the past 10 years, is lost and the services are moved to Pontypridd a few miles down the road, which has some bus services and a train service from one half of the constituency but not the other. The police will again spend more time trying to force defendants and witnesses to go to the first court date, rather than a second or third. That will mean that fewer people will get justice.

The Rhondda is not a high-crime area. Sometimes, because of the way the valleys are often presented by the BBC and national newspapers—we are of interest only when there is a drugs death—people think that the level of criminality is high. That is not true. For the most part it is a safe area, and many people still leave their front doors open perfectly contentedly, because they know that. None the less, there are significant areas of crime, including domestic violence in particular. The local senior police officer recently told me that if he added together the domestic violence cases from the three constituencies around mine he would not get to the number of cases from my constituency. An important aspect of the work done in our magistrates court is getting justice in domestic violence cases, particularly in light of the steady growth in such violence that may go on in a household. My anxiety is that if people feel that such justice will be more distant and that it will not be as easy to get access to it, we shall be likely to bear down less on the domestic violence problems in the Rhondda.

I have one other concern. I remember the last attempt to close the Llwynypia magistrates court, which was under a Labour Government. I was then Parliamentary Private Secretary to Lord Falconer, who was trying to close it, and I managed to see that closure off—with the help of the present interim leader of the Labour party, who was ferocious in my support. A key argument, besides equality of access, in particular for some of the poorest communities in south Wales, was the investment that had already been made in the building. The question arose of how to ensure that witnesses could have secure access and a separate entrance, to prevent intimidation, which can happen all too easily in small, tight-knit communities; how to provide secure accommodation for complainants; and how to make the whole process of involvement with the court safe and secure. That is possible in part because the court is in a beautiful rural area, immediately next to the Glyncornel park, which has, as I am sure the Minister will know, the largest colony of Deptford pinks in the country. I am concerned that if the magistrates court closes there will be yet another building in the Rhondda to symbolise the retreat of the Government from areas in the valleys. The sense of that, especially given that the building is not far from the old powerhouse where the Tonypandy riots happened a hundred years ago this year, will feel emotionally to the people in the Rhondda as if something important has closed.

As a final point, I hope that the Minister will consider this as he proceeds: "More haste, less speed." We have seen in the past few weeks that trying to make cuts too fast, and therefore producing inaccurate lists that lead to further problems, not only causes more anxiety in communities than necessary, but makes people feel that the judgments being made are somewhat arbitrary. I hope that the Minister will extend the consultation period by a month so that more people can take part, not least because some of the professionals involved want to be able to arrive at a coherent policy. None of us wants to oppose for the sake of opposing—we understand the financial situation—but I hope that the Minister will postpone the cut-off date so that it does not feel quite so arbitrary as it may do now.

Mr Jim Hood (in the Chair): The hon. Member for Hexham (Guy Opperman) has assured me that he will take only two minutes.

3.28 pm

Guy Opperman (Hexham) (Con): Hexham constituency used to have three magistrates courts and now we have only one. We are the second biggest constituency in England and, if Tynedale magistrates court goes, an area well in excess of 1,150 square miles will have no magistrates court whatsoever. I have great sympathy with the hon. Member for Dwyfor Meirionnydd (Mr Llwyd), whose position is similar to mine. As a former practising member of the Bar I find the idea that that would work on a regular basis astonishing.

Mr Jim Hood (in the Chair): Order. For his two minutes the hon. Gentleman should face the Chair.

Guy Opperman: I am sorry, Mr Hood.

From many parts of the constituency there is no bus that would get me to Newcastle or Bedlington in the morning. The Government will clearly have to examine the way in which they look after rural services. Rural services and the rural economy must be reappraised. Many things have happened in the past, but I should not like the first step of this Government to be the immediate institution of a situation in which there is no magistrates court for 1,200 square miles.

3.30 pm

Maria Eagle (Garston and Halewood) (Lab): I congratulate the hon. Member for Ceredigion (Mr Williams) on securing this debate, which has been widely welcomed by Members from across the House. In particular, we have an extremely healthy representation of MPs from Wales, who are obviously concerned about this issue. The context of the debate is the truly massive programme of court closures that the Government announced by written ministerial statement on 23 June. The proposal to close 157 courts—almost 40% of all magistrates courts and nearly 25% of all county courts—is exceptional in its size and scale. It is not just me who thinks that. Frances Gibb from *The Times* called it

"a draconian plan for the widespread closure of courts across England and Wales."

Andrew Porter from *The Daily Telegraph* said:

"Magistrates courts in England and Wales are to be severely reduced as part of the Government's cuts programme."

It is for the Minister to answer the points that have been raised during this debate, but I noted with interest the MPs who had things to say. The hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) spoke, as did the hon. Member for Brigg and Goole (Andrew Percy), who has come back for a second go. My hon. Friend the Member for Vale of Clwyd (Chris Ruane) made a contribution. The hon. Member for Dwyfor Meirionnydd (Mr Llwyd), whose constituency name has changed, the hon. Member for South West Wiltshire (Dr Murrison), who is one of our English participants, and the hon. Member for Hexham (Guy Opperman) also spoke.

3.31 pm

Sitting suspended for a Division in the House.

3.46 pm

On resuming—

Mr Jim Hood (in the Chair): Order. Divisions are a bit like the World cup—we get extra time, but no penalty kicks.

I call Maria Eagle again.

Maria Eagle: Thank you, Mr Hood. I was about to start setting out the position of Her Majesty's Opposition as we were called away for the Division.

We believe that there are legitimate questions to be asked about the scale and the purpose of these proposals for court closures. They are unprecedented in size and scale, which in itself means that there are questions that must be asked. The previous court closure announcement, which was made while I was a Minister at the Ministry of Justice, concerned 20 courts rather than 157. Given the scale of the proposals, the Minister must offer an explanation and make a concerted effort to reassure people.

Let me be clear that we do not oppose, by any stretch of the imagination, all court closures regardless of the circumstances; that is not our position. As we all know, courts have their ancient origins in much smaller administrative areas than those that exist today and they originated at a time when travel costs, travel patterns and the practicalities of getting across long distances within a reasonable amount of time were all very different from what they are today. Although individual Members have raised particular local issues as they know them in their own areas, that is just a case of Members being good local representatives; it is for the Minister to deal with the issues in his consultation.

Courts were run locally in the late 19th and early 20th centuries and they continued to be organised locally until the formation of Her Majesty's Courts Service in 2005. Things now are very different from how they were in the past and that can mean that we need different ways of organising things.

As a party we are still committed, as we were in government, to providing local justice and access to local justice. However, it is equally important that there should be a modern court estate that is properly aligned to local needs and that court services should be provided not on an historical basis, but on the basis of what we need today. It is important for there to be efficiency in the court facilities and in the utilisation of the court estate. Therefore, it is appropriate that there should be reviews and that Ministers, as they come and go, examine the issue of how the estate should be utilised. There is no problem with that.

It is also important that our more modern ways of doing things in the courts should be reflected in how the courts are organised. These days, that must include the separation and protection of witnesses, to ensure that special measures, which are increasingly used in our courts, can be dealt with properly. There must also be proper access for disabled court users. All those matters must be examined. In my experience, value for money is and always has been an important consideration. I believe that the formation of Her Majesty's Courts Service in 2005 has allowed a better overall strategic grasp of the entire court estate.

As an Opposition, we do not oppose all court closures per se as a matter of principle. Some court closures are clearly justified. Indeed, courts have closed in numbers over the years to deal with both the historical legacies and the practical requirements of a modernising system. Some of those closures were locally determined by magistrates courts committees and some were nationally determined.

Research indicates that there were about 650 magistrates courts in the late 1970s. There are now about 335; the Minister will have the precise figure, although given the performance of the Secretary of State for Education in respect of marshalling lists, I hope that the Minister has had a close look at his. I am sure that he will have double-checked it.

I accept fully that in certain circumstances and for appropriate reasons, courts might have to close. That might also mean that new ones should open—indeed,

[Maria Eagle]

we opened 23 new magistrates courts during the last Administration. Given the size and scale of the proposals, I also think that the closures should proceed, if the Minister decides that they should, only after extensive and genuine consultation. The proposals are a major acceleration of any previous court closure proposals introduced in the past few decades. It is incumbent on the Government to be clear that they are getting it right according to all the correct criteria.

Many Members who have contributed to this debate have called for a proper extension to the consultation so that most of it will not take place in August, when people might reasonably be expected to be on holiday. I hope that the Minister will respond to that request. I cannot see why there should be any objection, so he should consider it. The Department has issued an extensive consultation document. We have heard from some Members that it has apparent inaccuracies; obviously, they will take up that matter with the Department. I hope that the Minister will listen to the consultation. Otherwise, on today's showing, he is likely to incur the wrath of his own colleagues.

I notice that if one looks at local newspapers, the Government appear divided on the programme. Senior members of both parties in the governing coalition appear to oppose it when it applies to their own constituencies. Has the Parliamentary Under-Secretary spoken to the Solicitor-General lately? It appears that the Solicitor-General opposes the programme of closures, at least in so far as it affects Harborough in his constituency. There are proposals to close courts in Harborough, Coalville and Melton to save £300,000 a year. The local bench opposes it, and the Liberal Democrat group has launched a petition against it, which the Solicitor-General supports, in opposition to the Under-Secretary's proposals.

The Solicitor-General said to his local newspaper, the *Harborough Mail*:

"We need to gather a good evidence-based case to put in through the Ministry of Justice consultation process with a view to their realising what a mistake it would be to close Harborough's court...we need to organise and get the campaign rolling."

Sir Alan Beith (Berwick-upon-Tweed) (LD): The hon. Lady, like me and other Ministers, has had to sit in this Chamber on many occasions and listen to the genuine representations of Labour Members critical of the local aspects of her proposals.

Maria Eagle: The right hon. Gentleman is correct. However, I did not expect to read promises in local newspapers that members of my Government, bound by collective responsibility, would campaign against my proposals.

Dr Murrison: In a similar vein, does the hon. Lady recall the conduct of Jacqui Smith, the former Member for Redditch, in relation to the closure of facilities in her constituency when those facilities were the responsibility of the Department in which she was a Minister?

Maria Eagle: My view of ministerial and collective responsibility is that Ministers talk to each other behind the collective view of the Government if they want to make representations. They do not send press releases to their local newspapers.

Chris Bryant: Will my hon. Friend give way?

Maria Eagle: Briefly, but I need to make my speech.

Chris Bryant: Does my hon. Friend remember all the excoriation poured on Jacqui Smith for doing precisely what she did?

Maria Eagle: I remember that also. The point is that collective responsibility is still a constitutional principle in this country, yet a senior Law Officer appears to be opposing an element of the Under-Secretary's proposals.

It is not only the Solicitor-General. The Deputy Leader of the House, the hon. Member for Somerton and Frome (Mr Heath), opposes his Government's proposal to close Frome magistrates court and has made that opposition clear to his local newspaper, the *Frome and Somerset Standard*. The right hon. Member for Sutton Coldfield (Mr Mitchell)—a Cabinet Minister, no less—has also

"vowed to lead the fight to save a city magistrates' court",

according to the *Birmingham Mail*. A swathe of newly elected Conservative Members also opposed the announced closures—we have heard from one or two of them today; more power to them—and the hon. Member for Ceredigion, who secured this debate, is also a member of a governing party. The Minister might have difficulty on his hands. He is in danger of starting a revolt among his Government supporters rivalling that created by the Secretary of State for Education. It will take some going, but he might get there.

How genuine is the consultation? A number of hon. Members have asked that question during this debate, partly because of the scale of the proposals, the speed with which they have been produced and the speed with which the Minister intends to proceed with them. How much is the announcement of a huge court closure programme driven by money alone, and by this Government's increasing dogma of slashing the size of the state—some might say for ideological reasons—at all costs?

The Justice Secretary made a speech on 30 June that was reported mostly for his comment that he wanted to reduce the use of prison as a way of tackling crime. However, he also said about the courts:

"Obviously it would be nice, for historic reasons, if we could keep all of the old court buildings that we are used to across the country. But in these difficult times, an under-used and under-repaired courts estate is an extravagance we simply cannot afford. So we have identified the potential to make a one-off saving of £21 million and annual savings of £15.5 million in running and maintenance costs. These are savings we must make".

That smacks of a decision already taken and suggests that the consultations might be no more than window dressing. I am certainly not the only person who has raised that issue in this debate. The Justice Secretary has already determined the outcome:

"These are savings we must make".

Those savings depend on the closure of 40% of all remaining magistrates courts and 25% of our county courts.

We will be watching closely to see whether any of the Minister's proposals that we are discussing are not implemented. In the past, proposals to close courts have not all gone ahead. Some right hon. and hon. Gentlemen

have explained today that they saved courts from closure proposals, which showed a listening Government who were willing to change their mind. Will this Government be willing to change their mind, or will the Minister go ahead with all the proposed court closures? We will be watching to find out.

It is perhaps not surprising that the Justice Secretary should be suggesting that the fall in crime by one third during Labour's tenure in office—at least he accepts that it happened; the Home Secretary does not—had nothing to do with serious and dangerous offenders being locked up. Both the MOJ and Home Office budgets will be cut by between 25% and 40%, inevitably leading to a justice system that is less able to cope with the number of people involved in it.

We have concerns about whether the closure programme is merely a part of the overall attempt to reduce the size of the justice system generally. We fear so. The Under-Secretary will no doubt protest that it is no such thing, but let us see how many of the proposed closures do not proceed. That will be one litmus test by which we can determine whether my fears or the reassurances that he will no doubt give are accurate.

As well as those assurances, I seek a couple of other answers from the Minister about whether he is taking important matters into account. My hon. Friend the Member for Rhondda (Chris Bryant) raised the issue of domestic violence. How many of the courts that the Minister proposes to close are problem-solving courts, domestic violence courts, community courts, mental health courts or drug courts? Has he considered that?

The previous Government planned to select and establish 128 domestic violence courts by 2011, and had reached 122 by the time of the general election. Domestic violence is a devastating and hidden crime. The courts that we set up brought together a range of aspects of the criminal justice system to ensure that that crime was tackled properly. It worked. Prosecutions have doubled in the past four years, with 72.5% of cases resulting in a successful prosecution. That is a great success.

What steps is the Under-Secretary taking to preserve the Courts Service's capacity to deliver such a difficult, problem-solving approach in the remaining court estate—however big that ends up being? What account is he taking of the need to preserve the excellent work that has been done, which has led to a joined-up and co-ordinated approach from all criminal justice agencies?

Finally, will the Minister give us some reassurances about the length of the consultation and say whether he will extend it? There is clearly a concern across all parties and among a wide range of Members that his swift announcement has provided too short a time to allow proper reassurance and proper consultation to take place.

4 pm

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): This has been a full debate, with many hon. Members speaking with passion for their constituencies and, indeed, for the courts in their constituencies. I thank the hon. Member for Ceredigion (Mr Williams) for not only initiating the debate, but broadening the scope of the discussion to the whole Courts Service, rather than just focusing on the courts in his constituency. That is helpful in allowing me to set out the wider position, although I recognise that the number of hon. Members from Welsh constituencies who have attended the debate is significant.

I will set out the Government's position on the court reform proposals and discuss the reasoning behind the proposed reorganisation of court provision in England and Wales. In my new role, I have taken the opportunity to visit courts and I have been very impressed by all I have seen so far. It is evident that courts are run by a dedicated partnership of Her Majesty's Courts Service staff and judiciary. I am personally committed to continuing to support their contribution to justice.

What has also been clear in my first few weeks in office is the country's economic position and the immediate need to take action to address the structural deficit. The hon. Member for Garston and Halewood (Maria Eagle) compared the previous Government's 20 closures in five years with our consultation on a much larger proposed closure programme. She will appreciate that the deficit is somewhat larger now, which, as she recognised, requires that we get better value for the money we spend.

Following the emergency Budget, my right hon. Friend the Lord Chancellor outlined our plans to consult on the closure of a number of courts, and to seek wider views on how court services could be modernised. That is one strand of the Ministry of Justice's plans to look critically and holistically at how we deliver justice and to think about how we continue to deliver those critical services in the future. We have also announced plans to look at sentencing and legal aid. I am committed to consulting on the proposals, and to considering broader ways to improve and reform the Courts Service, which is why I welcome this debate. However, I say to the hon. Lady that we consider the consultation period to be adequate in the circumstances.

The decision to consult on the closure of courts was not taken lightly or in isolation. I wish I could say to the hon. Lady that the savings would be adequate to meet Treasury requirements, which I think was a point she made. However, that is sadly not the case. It would be wrong to tie the number of courts that finally close after consultation to overall savings requirements. We know we cannot deliver the quality of facilities that the public rightly expect and deserve, because we are working out of too many courts.

A low utilisation rate of only 65% across England and Wales in the magistrates courts and an average of only 130 sitting days per year—compared with a target of 200 sitting days—in the county courts shows that we do not need the number of courts we have. Recent improvements in transport and communication links mean that people can travel further in less time if they need to and more can be done to access justice online and via the telephone. That reduces the circumstances in which a visit to court would be necessary.

Maria Eagle: Does the Minister accept that such under-utilisation is because of a fall in crime of more than a third during the last period of the Labour Government?

Mr Djanogly: There are a large number of issues. I will come to some of them, but if I give way frequently, there is no way I will get through the points made today. We need to focus on delivering more with less, and on ensuring that we are delivering value for taxpayers'

[Mr Djanogly]

money. When HMCS owns, manages and pays for a court building, it is my responsibility to show that it is cost-effective. It is right to set a minimum utilisation rate of 80% across each local justice area so that local courts and magistrates can make local decisions about where work should go.

The court reform consultation seeks views on proposals to close 103 magistrates courts and 54 county courts that are underused and/or have inadequate facilities. The consultation lasts until 15 September and all responses will be fully considered before a decision is made. The consultation sets out a sustainable arrangement of court services across England and Wales to meet the needs of local communities, and allows us to deliver services in the most efficient way. The proposals will achieve running-cost savings of some £15.3 million per year, as well as enabling us to avoid a backlog of some £21.5 million of maintenance costs. A further assessment will be necessary of the level of savings that could be achieved and the potential value that could be released from the disposal of properties.

Local justice is important. We need to think about what that means for today's society, and I welcome responses to the consultation. People should not have to make unreasonably long journeys to reach a court. The vast majority of the public should be able to access a court within an hour's travel, but proximity to a court should not be the only consideration. We also need to consider utilisation, the maintenance situation, the speed cases are dealt with and the quality of the facilities for court users within a courthouse.

I confirm to the hon. Member for Ceredigion that we are considering how we can enable magistrates to work more effectively. HMCS will work with justices of the peace to rota them to the courts that are most convenient for them. The structure and organisation of our courts has evolved over years. We need to take a step back and think about how we would ideally organise this important public service. We need to make courts available in the areas that need them, but I contend that we simply do not need 530 courts across the country. Instead, we must focus on ensuring that our courts are multi-functional and able to deal with all the work quickly and effectively.

In recent years, we have seen a dramatic reduction in cases that need to go before magistrates and county courts. In answer to the hon. Member for Garston and Halewood, in magistrates courts that has happened in part thanks to the increased speed and efficiency at which the magistracy process works, allowing a reduction in the time taken between charge and disposal, and a dramatic reduction in the number of unnecessary intermediate hearings. However, we also know that more defendants are pleading guilty at the first hearing, and that certain types of case no longer need a judicial hearing, such as low-level nuisance offending and licensing cases.

It may help the hon. Lady if I mention some figures that illustrate that trend. Cases commenced in the magistrates courts fell by 33% between 2004 and 2009. In 2009-10, 33 magistrates courts sat for less than 33% of their total available hours, and 55 courts sat for less than 50% of their total available hours. Since 2007, the number of hearings per case has fallen by more than 20% to 2.26 hearings per case in 2009-10. So in five years, there has been an overall reduction in the magistrates work load of around a third. In turn, that has resulted in the magistrates court estate being utilised at an average of only around 65%. In county courts, reductions in work load stem from the wider availability of alternatives to court, such as the range of alternative ways of resolving disputes. If people can be spared the inconvenience and, for some, the stress of attending court for routine matters that do not need to go before a judge, we should do all we can to open up alternatives for them.

I turn to the matters relating to the constituency of the hon. Member for Ceredigion and the proposal to close Cardigan magistrates court. He will have a fuller answer than other hon. Members, because he initiated the debate. However, if other Members wish to know more, they can write to me later.

If Cardigan magistrates court were to close, the work would mainly transfer to Aberystwyth magistrates court. Merging the Ceredigion and Pembrokeshire local justice areas, as is also proposed, would allow cases to be heard at Haverfordwest magistrates court. I am aware that the utilisation rate of Cardigan magistrates court is extremely low—just 22%—which is in part because of the lack of custody facilities at the court. That has resulted in a much reduced variety of work being heard there.

Let me make the situation clear. The utilisation rate across the whole Dyfed Powys criminal justice board area is just 47%, which means that there is a general over-supply of courtrooms and little justification to spend additional money on new facilities and courts in the area. If Cardigan magistrates court were to close, the hon. Gentleman is understandably concerned about the difficulty his residents and people who live in the surrounding area would face in travelling to court elsewhere.

The hon. Gentleman made the case generally for west Wales. He should advise the consultation of his concerns, which will be listened to and considered in the consultation's impact assessment. I welcome responses on that and any other concerns about potential impacts.

Mr Mark Williams: I am grateful to the Minister for what he has said so far, but I would like to hear a little more about rural-proofing. I was concerned enough about Ceredigion and west Wales, but having heard some of the earlier contributions, I am now even more concerned about the situation in Hexham and in north Wales generally. People will have to travel vast distances, and the public transport system simply does not comply with those needs.

Mr Djanogly: Let us consider that travel problem as it relates to the hon. Gentleman's constituency, which I am sure he wants to hear about. The distance between Cardigan and Aberystwyth is 38 miles, which is about an hour's drive, or approximately two hours by bus. The distance between Cardigan and Haverfordwest is 29 miles, which is a drive of around 48 minutes or a bus journey of approximately one hour and 15 minutes. I accept the point that those distances are measured from the current court and that some of his constituents will have longer journeys.

However, by merging the Pembrokeshire and Ceredigion local justice areas, it should be possible to be more flexible and effective and to have fewer cases, with the location of victims, witnesses and defendants in mind. For example, HMCS could work with the police to

ensure that cases originating south of Cardigan are heard at Haverfordwest and that those originating north of Cardigan are heard in Aberystwyth. However, when discussing travelling distances and times we must bear in mind that people in the surrounding area often have their own transport arrangements for other purposes. In any case—I say this in reply also to my hon. Friend the Member for South West Wiltshire (Dr Murrison)—most members of the public will need magistrates court services pretty infrequently in the course of their lives.

The hon. Member for Ceredigion referred to the redevelopment of the court at Aberystwyth, which I realise is of as great interest to him as the potential closure of the court at Cardigan. Although work from Cardigan could now easily be absorbed at Aberystwyth, he will be aware that HMCS plans to build a new court at Aberystwyth. Nothing would please me more than to give him greater certainty about the future of that project, but he will appreciate that I am unable to do so at the moment. It is within the HMCS portfolio of major building projects and is at the final business case stage, but as the proposed construction will run into 2011-12, the project will need to be assessed by the Treasury in the spending review process.

The hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) referred in his speech to the magistrates court at Ammanford, and I assure him that we have given thought to its inclusion in the proposals. There are two courts in his constituency on whose closure we are consulting—Ammanford and Llandovery magistrates courts. If closed, it is envisaged that work from those courts would be transferred to Llanelli and Carmarthen magistrates courts, but no decisions will be made on work load transfer until the consultation responses have been considered and the Secretary of State has decided which courts will close.

My hon. Friend the Member for Brigg and Goole (Andrew Percy) today made his second passionate speech in defence of his local courts, and I agree with him. He will wish to make his further findings known to the consultation.

I will write to the hon. Member for Vale of Clwyd (Chris Ruane) to respond to his numerous questions, but I can assure him now that in our view the consultation period is adequate. The hon. Member for Dwyfor Meirionnydd (Mr Llwyd) has much court experience, and he spoke strongly about the courts in his constituency being consulted about closure. I assure him that access to justice is relevant to the consultation, but good, efficient and timely justice is not necessarily a question of bricks and mortar.

We need fresh thinking on the wider question of access to justice. We need to consider whether the ideas of the past about needing a court in every town are relevant today, or whether, as with almost every other aspect of modern life, things can be done differently. We need to embrace innovation and technology to ensure better access to justice and meet the needs of modern society. We are already doing much to improve the service experienced by witnesses, defendants and other users of the courts. We have increased access to online and telephone services; currently, 70% of money claims and the vast majority of possession actions in the county courts are issued centrally via electronic channels. People can pay fines online for driving infringements or for not paying their TV licence fee on time. They can also pay off debts or court fees online using a wide variety of methods.

I am not sure how much time I have remaining, given the suspension.

Mr Jim Hood (in the Chair): Less than one minute.

Mr Djanogly: My hon. Friend the Member for South West Wiltshire spoke up for his court in Trowbridge, which I understand is—

Mr Jim Hood (in the Chair): Order. We must move on to the next debate.

Frenchay Hospital

4.15 pm

Chris Skidmore (Kingswood) (Con): Thank you, Mr Hood, for allowing me to initiate this important debate on the future of Frenchay hospital. My constituency is currently served by Frenchay hospital's acute hospital facilities, so its downgrading is one of my constituents' most important concerns. The decision to downgrade the hospital and establish a new super-hospital at Southmead in Bristol was taken as part of the Bristol health services plan in March 2005. Meanwhile, Frenchay is to become a community hospital, the development of which will take place in 2014.

Five years might seem a long time ago, but over those years the future of the hospital has remained an ongoing point of concern and debate. The decision to downgrade is deeply unpopular and has been challenged by South Gloucestershire council and tens of thousands of local residents, nearly 50,000 of whom petitioned the then Secretary of State for Health, Patricia Hewitt, to allow for the decision to be referred to an independent reconfiguration panel. In my view, those are 50,000 reasons why the hospital should be saved, but the petition was rejected, as was a request by South Gloucestershire council's health scrutiny sub-committee that the matter be referred to the same panel. Instead, the then Health Minister, Lord Warner, said that he saw

"no reason to ask the Bristol health services plan to reconsider…There is no need to refer the decision to the independent reconfiguration panel."

The current Health Secretary also supported at the time the move for a referral to the independent reconfiguration panel. In a letter dated 27 July 2005, he wrote to Ms Hewitt, stating:

"Plans to change radically hospital provision on the scale proposed in Bristol and South Gloucestershire clearly need to have the confidence and support of the community served by these hospitals. It seems clear that currently the proposal to downgrade Frenchay does not have the support of tens of thousands of local people…my reason for supporting referral is that I believe the people of South Gloucestershire have the right to expect the decision to deprive them of Frenchay Hospital, as they know it, to be independently scrutinised".

I agree with that letter; he was right that the decision to downgrade the hospital should have been independently scrutinised, as clearly the decision did not, and still does not, have the support of the local community across south Gloucestershire.

In October 2007, there was further hope that the then Secretary of State for Heath, the right hon. Member for Kingston upon Hull West and Hessle (Alan Johnson), might reconsider the case for the decision to downgrade the hospital to be referred to the independent reconfiguration panel. However, he replied to the request by the council's health select committee simply by stating:

"The previous Secretary of State, Patricia Hewitt, dealt with the referral on this issue … it is not intended to revisit that decision".

The leader of the council, John Calway, commented at the time:

"This decision will come as a body blow to everyone who is continuing to desperately search for a lifeline for Frenchay…I believe the anger at this decision has been compounded by the fact that the Government has consistently refused local people's wish for an independent inquiry into the decision."

Councillor Calway then stated:

"While we are denied an independent inquiry we will never know whether the decision to downgrade Frenchay was made in the best interests of our residents...Sadly for us in South Gloucestershire, the Government has made it very clear that it is supporting the downgrading of Frenchay a has no intention of intervening to even allow this to be questioned or scrutinised."

That is a view I continue to share.

Ultimately, the previous Government's decision not to refer the decision to downgrade Frenchay hospital to an independent reconfiguration panel has resulted in the current situation. Five years after the original proposals for the Bristol health services plan were formulated, the contracts for the new super-hospital at Southmead were finally signed in February 2010. The result, I am informed, is that that has ultimately dealt a death blow to any chance of the hospital retaining its acute hospital facilities. I am also informed that, the contracts having already been signed under the previous Government, reversing that decision seems impossible as it would come at massive cost to the NHS and the Government because of the legal implications.

I would be grateful to the Minister for any comments he might have on that matter. Has the previous Government's refusal to allow local people to have their say on where their local hospital and acute facilities should be located meant that it is too late to intervene?

I understand that on 20 May 2010 the Secretary of State wrote to all NHS chief executives, advising them that their current and proposed reconfigurations must meet four criteria: they must have the support of GP commissioners; they must have strengthened arrangements to ensure that local people's views are not ignored; they must be supported by clear clinical evidence; and they must support and develop patient choice.

I am very interested to hear from the Minister whether there has been any response to that letter from North Bristol NHS Trust, as many local people would not agree that those four criteria have been met. I hope that that is not the case but, if it is, does the Minister agree with me that the downgrading of Frenchay hospital was Labour's downgrading? If Frenchay must lose its acute facilities in 2014, that was not the decision of the current Government, but of the previous one. The downgrading of Frenchay hospital, if it is to take place, is a testament to Labour's NHS record in Kingswood and south Gloucestershire. That is, in my mind, both a tragedy and a national disgrace.

For my Kingswood constituents, the decision, taken under the previous Government, to downgrade Frenchay hospital will be nothing short of disastrous. In this, the second decade of the 21st century, local services should be becoming more, not less, convenient and local. Many constituents are extremely worried about the consequences of the move to Southmead. They are concerned about how, in times of greatest need and when their lives might depend on it, they will be able to reach a hospital over the other side of Bristol. If Frenchay is to become a community hospital under the previous Government's downgrading, we need to look forward, to ensure that the maximum possible numbers of facilities remain there.

I do not propose to go into detail about the hospital's reconfiguration, as I understand that the Frenchay project board has yet to finalise details of its scheme. There is, however, concern over exactly what will remain at Frenchay when it becomes a community hospital. Concern has

been voiced over the future of its world-class facilities—for instance, the head injury therapy unit, which deals with brain injury rehabilitation services for the community. There is also the Headway organisation, which is based in the hospital grounds and offers vital support to those who have suffered a brain injury and would like to remain at Frenchay. The organisation stated last year:

"we have been unable to get any answers yet as to our future location."

Then there are the excellent paediatric burns and neurological units, which will possibly move from Frenchay ahead of its becoming a community hospital, though decisions have yet to be finalised.

As the local MP for an area that depends heavily on Frenchay, I do not want to see the hospital, if it has indeed lost its accident and emergency facilities, to be run down to the ground and stripped of its world-class facilities. I raise these issues today because I would like to see the maximum possible number of facilities remain at Frenchay hospital. It is still an excellent world-class treatment centre, and I would like to pay tribute to all the fantastic staff, who have worked so hard to make it what it is today. Frenchay is, quite simply, too valuable to lose.

4.22 pm

Jack Lopresti (Filton and Bradley Stoke) (Con): It is a pleasure to speak in this important debate. Frenchay hospital is in my constituency, and as the local MP I would like to pay tribute to the doctors, nurses and other staff there. My constituents and I are proud to have it as our local hospital. Indeed, many of my constituents have contacted me about the future of Frenchay—about its downgrading and the loss of its accident and emergency facilities. What they want is simple: to continue to have a great local hospital.

In government, we must work towards and achieve good local health care facilities, so that local communities are able to feel safe and reassured that they, and their loved ones, will be looked after in their time of need. Many of my constituents are rightly concerned about the future of Frenchay and, while I accept that we need investment across the NHS, many of them feel that in south Gloucestershire we seem to be missing out to our neighbour Bristol when it comes to health care investment.

As my hon. Friend the Member for Kingswood (Chris Skidmore) has already explained, the contracts for Frenchay's downgrading were signed in February this year. It is unlikely that that decision can be reversed without significant legal cost. Yet let us not ignore the fact that access to health care is a huge problem for my constituents. If left unchecked, it will continue to worsen in the years to come as a direct result of Frenchay's downgrading.

Recent growth predictions by South Gloucestershire council have stated that there will be a requirement for 21,500 extra houses in the local area by 2026. My constituency has already seen significant growth, particularly in the vibrant and thriving community of Bradley Stoke. Given the expanding population and the growth predicted, I have to question the logic of allowing Frenchay to lose its accident and emergency facilities.

Many of the local communities in Filton and Bradley Stoke are in rural areas. In an emergency situation, when they are in urgent need of treatment, people in those locations will have no choice but to travel the longer distance to Southmead hospital. The extra travel time in the most severe situations could be the difference between life and death, and that prospect horrifies and alarms me. It is important that we understand the situation in which we find ourselves. The decision to downgrade Frenchay might seem to be signed and sealed, but I know that I, with the support of my hon. Friend the Member for Kingswood, will continue to fight for what the people of south Gloucestershire deserve.

If—or when, as is more likely—Frenchay is downgraded in 2014, we must remind ourselves that this was not the decision or desire of this coalition Government. It was, as my hon. Friend mentioned, the decision solely of the previous Labour Administration. For my constituents, the people of Filton and Bradley Stoke, the word "Frenchay" will come to represent the failure of that Labour Government in our local area. The word will come to represent how Labour let down every single one of my constituents, by denying them the chance of a good local hospital to treat their growing needs.

My hon. Friend has outlined the continuing fight, and we are tackling it together to ensure that Frenchay secures as many facilities as possible. We need to protect the future of its world-class facilities—the head injuries unit, the burns unit and the staff—and we will also ensure that the promise made about the number of beds is honoured. I will continue, as the local MP, to do all I can to fight for the future of Frenchay. Its future is of vital importance, and I look forward to the Minister's response and the Government's view.

Finally, I pay tribute to the Save Frenchay Hospital Group. Many of its leading members are constituents and friends of mine, and it has been my pleasure to work with them on this issue over the past few years. They have done a terrific job of bringing focus and attention to the issue, and their work will not be in vain. We will fight, and together we will win the battle to keep the best services possible at Frenchay for years to come.

4.26 pm

The Minister of State, Department of Health (Mr Simon Burns): I congratulate my hon. Friend the Member for Kingswood (Chris Skidmore) on securing this debate. I know that local health services are a top priority for him, and I am sure that his constituents will appreciate all he has done in fighting for better health care provision for them. I also congratulate my hon. Friend the Member for Filton and Bradley Stoke (Jack Lopresti) on his contribution, given the constituency interest that he has in the future provision of health care in this area. I pay tribute to the NHS staff, both in Kingswood and across the whole of Bristol and south Gloucestershire, who provide such excellent care for my hon. Friends' constituents and those of other hon. Members.

My hon. Friend the Member for Kingswood has outlined the strength of feeling in his constituency for the retention of as many services as possible at Frenchay hospital, following the expected completion of the new hospital at Southmead in 2014. I understand that he would like clarification on the Bristol private finance initiative scheme. The Government recently conducted a review of all major public spending commitments

[Mr Simon Burns]

made between 1 January 2010 and the general election on 6 May, to ensure that they are affordable and consistent with this Government's priorities, given the horrendous economic situation that we have inherited and the staggering level of debt, which, we rightly believe, we should bring down as a priority because of its implications for the economy as a whole.

The north Bristol PFI scheme was considered as part of that review, and it was allowed to proceed. After final approval was given by the Treasury in February 2010, the scheme contracts were signed and construction is now under way. As my hon. Friend mentioned, the NHS would incur significant costs were it to cancel the contract, and I am afraid, therefore, that I have to tell him that cancellation is not a feasible option. The new Southmead hospital is going ahead, and is due for completion in 2014.

Both my hon. Friends are absolutely right that the decisions flowing from the reconfiguration in this part of Bristol and south Gloucestershire are the direct result of the actions of the outgoing Labour Government. They are not Conservative decisions. They were taken by the previous Labour Government and, as my hon. Friends will appreciate, it is too late to reverse them, and to prevent the implications for their constituents.

The business case projects that, due to a range of diagnostic tests being performed in the community and a greater number of out-patient appointments, there will be some 45,000 fewer acute hospital visits per year in the area. That will mean a far more convenient service for my hon. Friend's constituents.

I shall set the issue in context. My hon. Friend will be aware that, following a public consultation in late 2004 on the proposals to develop health services in Bristol, north Somerset and south Gloucestershire, the NHS agreed to centralise acute hospital services for north Bristol and south Gloucestershire at Southmead.

In June 2008, as part of the Bristol health services plan, work began to plan community health services that would provide more care closer to home in general practitioner surgeries, community health centres and community hospitals. The Frenchay project board developed recommendations for commissioning community services at Frenchay, which were presented to the boards of the NHS South Gloucestershire and NHS Bristol primary care trusts at the start of 2010.

At the beginning of this year, the project board shared its recommendations on how services could be developed with local GPs, the then Members of Parliament and a range of community groups. The board has now shared its draft options with the overview and scrutiny committees of South Gloucestershire and Bristol councils. As my hon. Friend will know, local authorities will have a key new role in helping to join up services across the NHS, social care and public health. Overview and scrutiny committees will consider the project board's final recommendations before they are presented to the boards of NHS South Gloucestershire and NHS Bristol in December 2010 and January 2011 respectively.

Let me explain to my hon. Friends the principles of reconfiguration. I recognise that, in the past, local people have felt that changes to local services have been handled badly. However, given the changes that my right hon. Friend the Secretary of State for Health has made to the criteria for judging reconfigurations, that is a thing of the past, although it is of little consolation to my hon. Friends. If the final recommendations differ significantly from what was agreed as part of the Bristol health services plan, NHS South Gloucestershire will proceed with a formal public consultation that will follow the four crucial tests on service changes set out by my right hon. Friend the Secretary of State.

I understand that, to date, the process meets the new criteria for the involvement of the public and clinicians, because the overview and scrutiny committee has accepted that the correct procedures have been followed by the project board. Indeed, only last week, it commended the PCT on the process that it had undergone.

Although the new Southmead hospital is going ahead, I have been assured that any future consultation on community health services at Frenchay hospital will closely involve GPs, local authorities, local people and local MPs to ensure that any new developments meet the needs and requirements of the local population and satisfy the new criteria laid down by my right hon. Friend. I have also been assured that the project board has completed a needs assessment, taking into account travel requirements, transport routes and population growth.

I can inform my hon. Friend the Member for Kingswood that no decision has yet been made on the location of the brain injury rehabilitation unit that is currently at Frenchay. Recommendations on the service will be put forward for consideration by the end of the year. However, detailed negotiation will be required, as the unit is subject to a private lease.

I am sorry that I have to tell my hon. Friends the Members for Kingswood and for Filton and Bradley Stoke that the burns unit will move to the Southmead acute hospital, as set out in the outline and full business cases in February. In-patient paediatric burns and in-patient paediatric neurological services will be centralised, along with all children's in-patient services, at the Bristol Royal Hospital for Children. In-patient neurological services for adults will be based at the new Southmead hospital.

On other local services, the NHS treatment centre in Emersons Green opened in late 2009. It provides procedures for ear, nose and throat services, general surgery, gynaecology, minor orthopaedics surgery, ophthalmology and urology. It increases the choice of provider for my hon. Friends' constituents and reduces their need to travel to larger acute sites in Bristol. The PCT has assured me of its commitment to working with local GPs and patient groups to ensure that services are accessible to my hon. Friends' constituents. Minor injury services are already provided by a GP-led health centre in Kingswood and at a minor injuries unit in nearby Yate. Another minor injuries unit is due to open at Cossham hospital in 2012.

I applaud the determination that my hon. Friends have shown in championing their local health services. Their constituents, like those of all hon. Members, deserve local health services that have the full support of local GP commissioners and of local people themselves. By empowering local clinicians to decide how best to achieve the right outcomes for local people, this Government will ensure that the residents of Kingswood are provided with the very best NHS services now and in the future.

It is a pity that that attitude—the regard for local people and the bottom-up approach, rather than a top-down one—was not adopted by the previous Government. If more attention had been paid to the interests and concerns of my hon. Friends' constituents, we might not be in the position that we are in today. As both of them rightly said, this is not—I repeat, not—a decision that has been taken by the current Administration. The coalition Government were not party to the proposals, which are a leftover from the Labour Administration.

As my hon. Friend the Member for Kingswood said, despite all the work that was done by a range of people, including him, to try to save services at his local hospital at Frenchay, their views were disregarded by the previous Administration and in the procedures for considering such things. He finds himself in a straitjacket because of past decisions. However, the new criteria set by my right hon. Friend the Secretary of State will apply to future such decisions, and far greater attention will be paid to the wishes and needs of local people.

My hon. Friend has an important part to play in continuing to engage with the local NHS on the community health services planned for Frenchay hospital, and I am sure that he and my hon. Friend the Member for Filton and Bradley Stoke will do all they can to continue to fight for the interests of their constituents, to ensure that they get good, high-quality NHS provision in their local community.

Renewable Energy Projects

4.38 pm

John Woodcock (Barrow and Furness) (Lab/Co-op): I am grateful for the opportunity to debate this important issue, and for the support of colleagues who are in attendance. My basic case is that if we in this country are serious about tackling climate change, we have to get serious about increasing the amount of energy and electricity that we consume from renewable sources.

We face a familiar problem, which has been too familiar over recent years: too often, renewable energy projects have failed to get off the ground and to receive planning consent. Local people and local communities have felt disengaged from projects that they thought were being imposed on them and, as a result, far too often we have ended up with inappropriate sites or with projects not getting through the morass of the planning process. We have to find an acceptable way to change the balance, so that we can increase the number of renewables projects that gain consent in an area and get genuine local community buy-in to renewable energy.

I welcome some elements of the new Government's programme, including the wholesale theft, if I may call it that, of my party's manifesto pledge to empower local authorities—councils—to generate electricity from renewable sources. The Minister will know better than I do, from his brief experience of coalition Government, that it involves a little bit of give and take, but I had not realised that it would involve taking wholesale from Labour's programme. But let us face it, after we lost the election we were not in a position to implement that pledge any time soon, so it was good that the Government took it up.

I hope that the Minister will tell us more about the Government's interesting plans on business rates, with the potential for giving a reward, in effect, to local people who agree to renewable energy projects. We look forward to hearing more about whether the green investment bank will make a real difference and whether it is to be more than just a Budget item included to give the appearance of doing something.

Stella Creasy (Walthamstow) (Lab/Co-op): It is also important for the Minister to set out how the Government envisage resolving any tension that might arise locally between local communities, which have been empowered to advance proposals for renewable energy, particularly through co-operatives, and local authorities that are allowed to bring forward proposals for local energy generation as a source of revenue production.

John Woodcock: My hon. Friend has hit on a key point. There has to be a way to manage that tension. I will say more about co-operative energy solutions. A local authority's laudable objective must not crowd out the only way that we can get to the root of the problem. There can be a huge gulf between our objective to obtain more energy from renewable sources and the inability or unwillingness to agree locally.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): I agree with all the points that my hon. Friend has made. Does he agree that planning is at the centre of some of the problems relating to the tensions between

[Jonathan Reynolds]

local authorities and co-operative groups in respect of renewable energy projects? One way to redress the balance is to encourage more local authorities to regard community ownership positively in terms of giving planning consent, allowing them to support such a co-operative movement without crowding it out.

John Woodcock: My hon. Friend is right. We need to explore that key area. I will say a little bit more about that later.

I am proud to be the first Labour/Co-operative Member of Parliament for Barrow and Furness; although by no means its first Labour Member, I am the first Co-op-sponsored MP. It is appropriate to mention that during this debate, because community ownership is the most effective way for us to enable local communities to have a genuine stake in vital projects, the number of which we need to increase.

If the Government's commitment to the big society becomes more than an idea that is yet to be defined—I will not say "ill-defined" because that would be uncharitable—I hope that they will wholeheartedly embrace this area and do more than just give words of support.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): My hon. Friend has made some good points. When I was lucky enough to be a Minister, some excellent civil servants worked for me, but only a small handful of them really had an understanding of and a grip on the co-operative and mutual movement. Could not the Minister usefully direct some of the staff of energy regulators, and more staff in his Department—other than those who have probably faced a steep learning curve helping him prepare for this debate—to visit community energy mutuals, such as the Baywind co-operative in the Lake district?

John Woodcock: My hon. Friend is right. I need no encouragement to agree with anyone who suggests a visit to my constituency of Barrow and Furness, which is always a fantastic idea, and particularly the Baywind energy project, which prompted me to call for this debate. I am sure the Minister is aware that Baywind has blazed a trail since the mid-1990s. The Baywind wind turbines in my constituency, which are part of a co-operatively owned energy project, have changed people's understanding of renewable energy and of the capacity of a local area to have a genuine stake in that form of energy.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): My hon. Friend talks about the benefit that communities realise from community renewable projects. I am sure that he is aware that there are good examples of that in Scotland, for example, in Fintry and on the island of Gigha. It has become clear that the lack of available funding is a stumbling block for community renewable developments. Is he aware of the studies being carried out by the Scottish agricultural college on a loan scheme for renewable energy projects, including community ones, which may help get over that initial problem, to develop more community renewable energy projects throughout the country?

John Woodcock: I thank my hon. Friend for making that important point.

My hon. Friends have mentioned practical ideas as to how Government can help support such vital projects, potentially facilitating loans, and so on. Baywind is an example of a local community-owned project succeeding, which happens all too infrequently at the moment. I hope that the Government will consider seriously their lack of co-ordination in a difficult and complicated field.

Stella Creasy: Does my hon. Friend agree that we could learn some interesting lessons from Denmark, and how it has used the tax system to encourage community ownership of renewable energy projects and incentives, and to encourage people to participate in and support them at local level?

John Woodcock: Absolutely. We all recognise that money is tight throughout the country. The Government do not hesitate to paint a far more drastic picture than is the case, but we must find a way of breaking the deadlock. The importance of doing so is not simply to tackle climate change, fundamental though that is, but to ensure a greater level of energy security. Renewable energy projects can contribute not only to moving away from fossil fuels and the rising cost that will be tagged to such fuels in coming years, but to increasing energy security for the UK.

Neil Carmichael (Stroud) (Con): Stroud, which the Minister has already visited, is awash with good ideas for renewable energy. I want to focus on micro-hydro schemes, because some obstacles must be removed, including possible objections by the Environment Agency. We must discuss that, and I have mentioned it in the House.

Social enterprises are important to provide traction for ideas, and plenty of information exists about them. Many people in Stroud know about them, and many people throughout the country should know about them. The previous Labour Government set out some interesting ideas about that and various mechanisms. A key point—

Mr Jim Hood (in the Chair): Order. The hon. Gentleman's intervention is too long.

John Woodcock: The hon. Gentleman is right to make that point, and to indicate the variety of renewable energy schemes that we must embrace. The issue is not just about onshore wind or offshore wind. The potential for hydropower is enormous in the UK at both micro level and a wider level. I was an adviser in the Department for Business, Innovation and Skills under the previous Government, which kicked off the study into the Severn barrage, but that is a subject for another debate. I will not take interventions on that, but it is crucial.

Community-owned schemes may make a difference because they engender a level of buy-in from the community. Baywind has paid a dividend to local residents who have bought into the scheme since its inception in 1996. As an educational establishment, it accepts regular visits from local schoolchildren and adults, and promotes the cause of renewable energy. The key point for onshore wind is that community ownership of the turbines has

allowed the co-operative to avoid the controversy that has often surrounded turbines in other areas of the Cumbrian hills in my patch.

Neil Carmichael: I will be brief, Mr Hood. This Government are paving the way for communities to become involved in all sorts of renewables by returning business rates back to the community, and that is something to embrace. Does the hon. Gentleman agree?

John Woodcock: I made the point at the beginning that the scheme is interesting and welcome, and it is a contribution, but it does not go to the heart of the matter and that incentive will not tackle the problem. I will come on to the barriers facing co-operatives such as Baywind and local communities that want to establish their own energy supply.

I turn to the planning system. Energy4All is a not-for-profit organisation to facilitate community-owned renewable energy schemes such as Baywind. It may cost communities £150,000 simply to be part of the planning process, and at the moment they cannot be confident of success in navigating through that process. The coalition programme for government states explicitly that the Government

"will encourage community-owned renewable energy schemes where local people benefit from the power produced."

That is in addition to the pledge on business rates.

As my hon. Friends said, local authorities should encourage community ownership, but at the moment we just ask them nicely to do so. Will the Minister consider ways of giving genuine preference in the planning system to community-owned projects? There must be safeguards, but community-owned schemes already show local buy-in, and we could greatly slim down the cost of the planning process by streamlining it to recognise that the ownership model has already achieved a level of community buy-in.

The Co-operative party has called for creation of a community energy and climate change unit, based on the successful Supporters Direct model, which promotes mutual ownership of football clubs. The core functions of the unit would be to bring together silo working in government. We are all guilty of that when in government; it is not a new phenomenon of the new Government. The unit would be able to give advice on legal structures, financial assistance, business planning and the regulatory framework, but it would not be prescriptive. There are many ways to skin a cat, and I hope that the Minister will recognise that there is a cat to be skinned, and will come up with some suggestions for his preferred method of doing so.

One way of making start-up costs easier for community projects—the model has been identified by Energy4All—is to encourage residents not necessarily to go for full ownership of a project, but to take a part-stake in commercial developers' wind farms. In that system, the developer identifies the project and takes the risk, and the community simply buys a stake. The developer gains from improved community relations, and the community gains a direct stake in a project in its locality. However, there is currently little or no take-up of that opportunity, so we should all consider ways—I am interested in the Minister's views on this—of giving developers a push and changing the culture of communities and commercial developers. Planning incentives may help, as long as there are proper safeguards.

Even under the current timetable, National Energy Action estimates that there are close to 5.4 million people in Britain—one in every five households—who are classed as fuel poor. Currently, we cannot say that renewables are a cheap form of energy. However, the previous Government's proposals for micro-delivery and for local areas to come together in co-operatives could drive down the cost and make renewables more cost-effective. That was a key part of my party's manifesto, and I hope the Minister will say that he will take up that proposal.

In the context of rising fuel poverty and the need for urgent action to reduce carbon emissions, the UK needs a major improvement in domestic energy policy and the way renewables are delivered. I recognise that that would require a culture change and that it is not simply about the Government, but I hope that in his response, the Minister will recognise the role of the Government in empowering communities. At their best, communities can do better than any Government or state organisation by taking direct control of the means through which they power their homes and making a direct contribution to lowering carbon emissions. In their own way—and this is what we all individually want to do—communities can tackle one of the greatest challenges that we will face over the coming years and decades, both for our country and for the world.

5.1 pm

The Minister of State, Department of Energy and Climate Change (Gregory Barker): I shall start by congratulating the hon. Member for Barrow and Furness (John Woodcock) on an excellent speech. Although he is a new Member, I know that he is not new to Westminster and the processes of government. He brought the experiences that he gained working behind the scenes to the fore with great aplomb, and I found his contribution helpful and useful.

It is encouraging to see that several new Members are present, even if they have participated only by way of interventions. I hope that the positive dialogue engendered in Westminster Hall debates can continue. We do not claim to have the monopoly on wisdom; this is a new agenda. I am a new Minister and I am sure only that we need to be ambitious and radical, and that pottering along under the status quo is not an option. Together with my officials, I am looking at a range of options. If other hon. Members, regardless of whether they are part of the coalition Government or in opposition, come forward with positive contributions—particularly examples of successes in their own constituencies, such as Baywind—we should look at those contributions.

I am pleased to tell the hon. Gentleman that my officials will shortly be meeting Energy4All to discuss some ideas. Those ideas will incorporate five different ownership models: the community co-operative model, which enables 100% ownership of an entire project; the shared ownership model, where a co-operative owns one or more of the turbines on a wind farm, with the remainder being owned by a landowner, private developer or a community trust; the royalty instrument model, which is where a developer builds a wind farm in a region and the community purchases a stake in the future revenue of the project through a co-operative; the regional co-operative model, where finance is raised through a national or regional energy co-operative

[Gregory Barker]

covering a wide geographic area and a range of different projects; and the loan model, where the community project may approach an existing energy co-operative and obtain a simple loan to get a new project off the ground. Those are some of the innovative ideas that are springing up, and we need more of them.

I have taken a personal interest in the decentralised energy agenda since 2005 when I first started shadowing the environment brief. It became clear that there were many advantages to decentralised energy, not only in the way that it can contribute to the decarbonising of our energy supply, but also in the security of our domestic energy supply and the sense of ownership and empowerment that it can bring to local communities and consumers. Politically, there is a huge power in the broadest sense of the word—pardon the pun—in that agenda. It is one of the few things on the energy agenda that engages local people in a way that they can understand and in which they can participate.

When the hon. Gentleman introduced this debate, he was right to say that there were problems and that, historically, there has been resistance to renewable energy projects in all of our constituencies. Some of that resistance was well based, but often it was based on misconceptions. It is difficult to blame local communities for resisting renewable energy because often they are asked to have something imposed on them that spoils their view or the amenity of the local land, and brings them no benefit whatsoever. If we are to see an increase in the number of such installations, we need a more equitable settlement. We need a greater sense of community participation both in decisions about where the installations are to be sited, and in the returns that flow from them. There are potentially remunerative streams of profit to be gained under those arrangements, and it is right for the communities that host renewable energy sources to benefit in that way.

Our coalition programme is clear. We plan to help communities become more self-sufficient in the way that they use heat and power. The programme also makes clear our plans to encourage more community ownership of renewable energy. Vision, localism and decentralised energy all empower communities.

We have a range of technologies. We have spoken about wind, particularly onshore wind, but a host of other exciting technologies such as micro-hydro power are available, and we should do more to advance them. There is also biomass, solar power and combined heat and power. Ultimately, I would like to see the notion of local energy economies widely accepted. People have got used to the notion of a local food economy. We have seen local farmers markets spring up, and links between local schools and community projects, and local food producers, farmers and retailers. We must do more to encourage the notion of local energy economies, where people see a closer link between the energy that local communities consume, and the way it is produced.

In my constituency, I have encouraged a greater link between farmers who have woodland that is not in productive use, and a local school that is putting in a woodchip CHP boiler. A local farmer will bring woodland back into productive use so as to supply that boiler on a long-term contract. Coppicing is better for biodiversity and flora and fauna.

Stella Creasy: I appreciate what the Minister is saying. Does he share my sadness at the decision to cancel the wind turbine as part of the Olympics park in the borough of Waltham Forest? That could have been the legacy of a local renewable energy co-operative in Waltham Forest. Will he commit to working with me to look at alternatives such as biomass and photovoltaic cells, and see whether they could be the start of such a co-operative project in Waltham Forest?

Gregory Barker: I am not familiar with that project or with the reasons behind the cancellation of the wind turbine. However, I would be happy to work with the hon. Lady to try and encourage the uptake of other renewable energy sources. That is absolutely key, and we want the Olympics to be the greenest Olympics ever, just as we want the Government to be the greenest Government ever.

Community ownership is a key part of our localism agenda. In the common themes and principles that bind the coalition together, localism, concern for the environment and action on climate change are three of the most powerful issues that drive our agenda. We are determined to create the right framework for building a low-carbon economy. We realise that we need to make game-changing interventions to increase energy efficiency in local communities. That is why at the heart of the energy Bill that I hope to introduce in the autumn sits the green deal, which will transform homes in all our constituencies. If we are to save consumers money on their energy bills but also make their homes more efficient and reach our carbon reduction goals, we will need game-changing policies such as the green deal, but we also need a game change in our culture and our approach to community ownership.

We are already working on measures to ensure that communities can benefit from renewable energy, taking advantage of incentives provided by feed-in tariffs, but we will go further and encourage more community ownership of renewable energy. The hon. Member for Barrow and Furness made excellent points about the fact that where there is community ownership of energy installations, many of the objections in the planning system will simply fall away. I cannot comment directly, but I do hear the points that he makes about the need for that to be recognised in the planning system itself. There is a virtuous circle here. Part of the reason why there are so many delays to many local projects is that there are so many local objections. If there are fewer local objections, there will be fewer delays. In an ideal world, we would not have to tinker greatly with the planning system, because it would be self-fulfilling, but we are examining ways in which we can work with the planning system to give communities more power to shape the places that they inhabit.

The coalition agreement made clear our intention to publish and present to Parliament a simple and consolidated national planning framework covering all forms of development. That should include local community-owned installations. My Department is working with the Department for Communities and Local Government on extending permitted development rights for both domestic and non-domestic microgeneration technologies.

We are also developing a website, called community energy online, to develop best practice and to support local authorities and community groups in developing

their own renewable energy. Often, the greatest spur to that is not just what we can do at Westminster, but clear examples of action being taken in the community, out there in the real world. The more that we can spread that best practice and knowledge, the better.

I have a few more points, which I shall run through quickly in the time remaining. First, I shall say a few words about overturning the ban on local authorities selling electricity. It was nonsense that the Local Government (Miscellaneous Provisions) Act 1976, introduced by a Labour Government, prevented councils from selling electricity from local wind turbines—not that there were many in those days—or from any form of local generation or, indeed, from anaerobic digestion, which we are also keen to promote in the coalition agreement. I hope that by the end of the year, local authorities will be able to sell electricity from renewables, generating revenue to help local services and keep council tax down. That will see local communities truly benefiting from the low-carbon transition. It will allow local authorities to take full advantage of the incentives available through feed-in tariffs to invest in renewable energy in their own buildings. We are also keen for local authorities to work with other partners on community-scale renewable electricity schemes that can be supported by FITs.

At this stage of renewable development, I am not as worried as the hon. Gentleman about crowding out different initiatives, because we are at such an early stage. One of the mechanisms that we see as key to encouraging local community schemes is the retention of business rates. As the coalition programme for government made clear, we will allow communities that host renewable energy projects to keep the additional business rates that they generate. We are working up plans to make that a reality.

Overall, the hon. Gentleman has made a very good start with this debate. We welcome his input and I look forward to continuing the discussion with him.

Question put and agreed to.

5.14 pm

Sitting adjourned.

Westminster Hall

Thursday 15 July 2010

[MR JOE BENTON *in the Chair*]

Defamation Law

[Relevant documents: Second Report from the Culture, Media and Sport Committee, Session 2009-10, HC 362-I, and the Government response, Cm 7851.]

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Djanogly.)*

2.30 pm

The Parliamentary Under-Secretary of State for Justice (Mr Jonathan Djanogly): I am delighted to open today's debate on an issue that the Government regard as being of great importance to our country. As the coalition agreement made clear, we are firmly committed to reviewing the law on defamation to protect free speech. That commitment was reflected in the announcement made last week by my noble Friend Lord McNally, on behalf of the Government, that we will be publishing a draft defamation Bill for consultation and pre-legislative scrutiny in the first Session of this Parliament, with a view to introducing a substantive Bill as soon after that as parliamentary time allows.

That decision stems from our recognition of the concerns raised over recent months about the detrimental effects that the current law may be having on freedom of expression, particularly in relation to academic and scientific debate, the work of non-governmental organisations, investigative journalism and the extent to which this jurisdiction has become a magnet for libel claimants. In reviewing the law, we wish to focus on ensuring that freedom of speech and academic debate are protected and that a fair balance is struck between freedom of expression and the protection of reputation. We want to ensure that the right balance is achieved, so that people who have been defamed are able to take action to protect their reputation where appropriate. However, that should be done in such a way that free speech is not unjustifiably impeded.

That will help to ensure that responsible journalism and academic and scientific debate are able to flourish, and that investigative journalism and the valuable work of non-governmental organisations are not unjustifiably hampered by actual or threatened libel proceedings. Ensuring that the right balance is struck is a difficult and sensitive exercise. It raises very complex issues, on which a wide range of differing views are likely to be held. In recognition of that, any proposals for reform will need to be the subject of extensive and thorough consultation. With that in mind, publication of a draft Bill for pre-legislative scrutiny represents the most effective approach to achieving fully considered legislative proposals that focus on core issues of concern where legislation can make a real difference.

Alongside our considerations on the substantive law, we are also determined to ensure that costs in all civil proceedings, including defamation, are proportionate. The Government are very grateful to Lord Justice Jackson for his comprehensive report, "Review of Civil Litigation Costs," which makes a broad range of significant and positive recommendations for reducing high costs in the civil justice system. We are urgently assessing Sir Rupert's main proposals on the reform of conditional fee agreements and how they could be taken forward.

Sir Rupert's recommendations apply to all categories of case where CFAs are used, and that includes defamation cases. I am aware of the significant concerns in some quarters about the costs in defamation cases, but it is important that any changes in defamation are considered alongside those in other areas of civil litigation where high costs are a concern. We are committed to addressing those issues in the round and to dealing with the problems created by high costs while also ensuring that there is appropriate access to justice for claimants.

The previous Government attempted a rushed and rather limited reform to limit costs in defamation cases only. As hon. Members may know, that measure was not recommended to the House by the Committee that considered it on 30 March. We must tread carefully. We will consider all the options for addressing high costs, including those proposed by the previous Administration and, as I am sure my hon. Friend the Member for Maldon (Mr Whittingdale) will be pleased to know, by the Select Committee on Culture, Media and Sport in its recent report, "Press Standards, Privacy and Libel." We will consider those proposals alongside Lord Justice Jackson's recommendations in determining the next steps. We hope to announce the way forward as soon as possible.

It is not possible for me to indicate today exactly what provisions may be included in the Government's draft Bill on defamation. However, a number of areas have already been the subject of much discussion and debate, and I can confirm that we will be giving further consideration to them with a view to including provisions in the draft Bill. In particular, we recognise the strength of the calls that have been made for a statutory defence relating to the public interest and responsible journalism. As hon. Members will be aware, a common law defence has been developed by the courts in recent years—initially in the case of Reynolds *v.* Times Newspapers Ltd and Others, which offers a defence that may be relied on even where the defendant cannot prove the truth of what has been published, provided he or she acted responsibly in all the circumstances.

However, concerns have been expressed by non-governmental organisations, the scientific community and others that there is a lack of certainty over how the Reynolds defence applies outside the context of mainstream journalism, and that that has a somewhat chilling effect on freedom of expression and investigative reporting. This is a complex area of the law, and we want to give further consideration to whether and how a statutory defence can be framed in a way that is beneficial and appropriate for a range of different contexts.

We also recognise the criticism that English defamation law has received as a result of the perception that libel tourists are issuing proceedings in London, rather than in other jurisdictions with which their claim may have a significantly greater link. Differing views have been expressed about the extent of problems in that area, and whether the threat of libel proceedings by wealthy foreigners and public figures is used to stifle investigative journalism, regardless of whether actual cases are ultimately brought.

[Mr Jonathan Djanogly]

A number of proposals have been made on how that issue can be tackled, and we will be examining those carefully. We want to make sure that the concerns raised in that area are addressed in an effective and proportionate way.

We are also aware of the concerns that have been expressed in the media and elsewhere about the difficulties of the so-called multiple publication rule, whereby each publication of defamatory material gives rise to a separate cause of action subject to its own limitation period, which causes problems in relation to online material. The effect of the multiple publication rule is that publishers are potentially liable for any defamatory material published by them and accessed online. The rule applies however long after the initial publication the material is accessed, and whether or not proceedings have already been brought in relation to the initial publication. We will be considering how best we can frame a single publication rule to remove the threat of open-ended liability that currently exists.

In addition to the areas I have just mentioned, the private Member's Bill introduced in another place by Lord Lester of Herne Hill contains provisions on a substantial number of other issues. In particular, Lord Lester's Defamation Bill takes in provisions on renaming and codifying the existing defences of justification and fair comment; the basis on which an action for defamation can be brought; the ability of corporations to bring defamation actions; trial by jury; defamation in the context of internet publication; and issues relating to absolute and qualified privilege, including parliamentary proceedings.

Those important issues merit further consideration in the context of the Government's review of the law. However, it is important to ensure that the views of a range of interested parties are taken into account before deciding whether it is appropriate to include such provisions in the Government's draft Bill. We therefore intend initially to conduct informal discussions over the summer with interested parties to ensure that we can reach a fully informed assessment of the merits of reform in those areas, and on any other issues that may be of concern. In the light of those discussions, we hope that it will then be possible to move towards publication of a draft Bill in the new year.

As part of that process, the views of those within Parliament are obviously of considerable importance. Lord Lester's Bill has provided an important, timely and well reasoned contribution to the process, although the Government's draft Bill may, of course, not necessarily reflect all the issues he has raised, or indeed be restricted to them. The views of those within Parliament are obviously of considerable importance to us in reviewing the law.

The Second Reading of Lord Lester's Bill last week provided an opportunity for those in another place to make their views known, and an extremely helpful and wide-ranging debate took place. I hope that the Government's decision to secure today's debate will provide an opportunity for hon. Members to express their views on those important matters, so that we can consider them when deciding how best to move forward.

2.40 pm

Paul Farrelly (Newcastle-under-Lyme) (Lab): I congratulate the hon. Member for Maldon (Mr Whittingdale) on his re-election as Chair of the Culture, Media and Sport Committee, from a shortlist of one. I thank my Labour colleagues for re-electing me, in a rather wider exercise of democracy, to the Committee. I also thank Mr Speaker for agreeing to the debate. He was forthright in his defence of free speech during the Trafigura affair last autumn, in which I played a walk-on part. If I may indulge in a plug, Mr Benton, only last Sunday I gave a talk with David Leigh of *The Guardian* on Trafigura and the wider issues of libel and media law reform at the excellent centre of investigative journalism at City university London.

The debate is certainly timely, allowing us to discuss for the first time the Committee's report on press standards, privacy and libel, which the general election interrupted. It also keeps up momentum for reform in the House of Commons, following the excellent debate last Friday on Lord Lester's private Member's Bill in the other place—the House of Lords, to adopt modern terminology in libel. I shall refer to that at greater length in a moment.

We published our report on 24 February. It was a marathon effort, as I am sure the Chair of the Committee agrees, having lasted from autumn 2008. That hints at the complexities and the sheer range of issues involved in reforming that area of law. I was certainly not the only member of the Committee who was glad to clear the decks for the general election, which was looming over us.

There was much unfinished business in the field as the general election became all-consuming, such as taking forward in law Sir Rupert Jackson's wide-ranging report on civil litigation costs, to which the Minister referred, which was published in January. There was also the review by the former Justice Secretary, my right hon. Friend the Member for Blackburn (Mr Straw), on libel and the internet. He also produced proposals for reform of conditional fee agreements, about which I shall say more later. We also followed up on the conclusions of the report from the Ministry of Justice's libel working group, which was published at the end of March, just as we were about to go to the polls. The previous Government's response to that included a commitment to a draft libel reform Bill, and the House should give a strong vote of thanks to my right hon. Friend for all his work and effort in that area. I was glad that that work was acknowledged by Lord McNally, the new Minister, in last Friday's debate.

I am glad that the coalition agreement included the following single-line commitment:

"We will review our libel law to protect freedom of speech."

However, there is always a danger after an election, with so many competing interests, that action might be stillborn, despite the fine words. The danger of a lack of progress was highlighted before the election by the fate of the statutory instrument that was intended to address the matter of costs in conditional fee agreements. It was mauled in Committee by Members from all parties. It is not necessary to dwell on the ins and outs of that, as it is better in the cause of reform to make as many friends and as few enemies as possible. The proposal was to limit success fees in conditional fee agreements in defamation cases. That was certainly a blunt instrument.

In our report, we said that recoverability from the defendant should be limited, meaning that lawyers and clients could haggle. The instrument that came forward, which would have limited that across the board, was always open to the attack that it would give renewed carte blanche to unscrupulous tabloids to print yet again what they liked and that it would limit access for ordinary people without the means to try to salvage their reputations.

It was made clear before the election that that instrument was intended to be an interim measure that could be achieved quickly without primary legislation, and in anticipation of wider reform of libel law and costs following the Jackson review. While the newspapers drowned their sorrows after the statutory instrument went down, I suspect that the biggest bar bills were run up by the likes of Carter-Ruck and Partners and the so-called Lawyers for Media Standards—I suspect that it was a good day for those other well known firms: Krug, Bollinger and Dom Pérignon.

At the weekend, those of us at the City university London summer school wanted to raise a glass to Lord Lester for keeping up the pressure for reform through his excellent private Member's Bill, and to all the organisations involved in crafting and supporting the Bill, including Index on Censorship, English PEN, Sense About Science and *The Guardian*, the BBC and *The Times* from the media community. We also wanted to raise a glass to Lord McNally, who confirmed on Friday that the Government would pick up the ball left by my right hon. Friend the Member for Blackburn and produce a draft Bill for consultation. Furthermore, he set out a timetable: a draft bill will be published early next year for pre-legislative scrutiny; and, I hope, a substantive Bill will be included in the Queen's Speech setting out the 2011-12 legislative programme. That is the yardstick for reform that has been clearly set out, and by which progress will be measured. Little wonder that Lord Lester's reaction on Friday was so measured:

"when I hear my noble friend...speak as I did now, I wonder whether I am alive at all or whether I am in heaven."—[*Official Report, House of Lords*, 9 July 2010; Vol. 720, c. 483.]

I first met Lord McNally shortly after my election in 2001 when we sat together on the Joint Committee on the Draft Communications Bill, the so-called Puttnam Committee. I was aware of his good work on the Labour Benches in Harold Wilson's day, before wrangles with the left in our party led him to his current berth. He is a sound man and we look forward to working with him on reform. We look forward to the Minister today confirming the Government's intentions and perhaps giving more detail on what is proposed.

I will not discuss all the complexities and controversies involved in defamation reform today, but I will single out a few areas. The devil will, of course, be in the detail. Despite the forces of reaction gathering to oppose reform—it reminds me of a scene from "The Lord of the Rings" in which Sauron summons his "Carter-U'Ruck-hai" and the Orcs, those "Lawyers for Mordor Standards"—a great deal of consensus has built up on the way forward in several areas, which is encouraging. For example, with regard to libel and the internet, the previous Government, the Select Committee, the Ministry's libel working group and Lord Lester's Bill have all agreed that the measure should relate to single publication, limited to a year after appearance, aligning the online law with the law dealing with publication in print and giving more certainty to people who maintain online archives and databases. Libel tourism is another area on which there is increasing consensus, and that is increasingly connected to the law on the internet. The consensus from all those bodies is that we should tighten the legal procedure rules and throw out the abuse of our courts and laws.

The role of parliamentary privilege in protecting free speech is also an area of consensus. That was highlighted in the Trafigura affair, and not for the first time, but nothing was done on each occasion. Lord Lester's Bill addresses that simply and agrees with the Select Committee that we need a modern statute. We also look forward to the conclusions of the review of practices on super-injunctions being carried out by the courts.

Where there is disagreement, it seems to centre, refreshingly, on not rushing to judgment and instead consulting, as our report recommended, so that changes in the law do not have harmful, unintended or unforeseen consequences. I will mention a few major examples. We should consider statutory backing for the public interest defence to protect decent investigative journalism while maintaining the protection needed for individuals whose reputations are wrongly and irresponsibly traduced. The Committee was inclined first to put into statute a widened definition for court decisions on responsible journalism—the so-called Reynolds defence. I took the precaution of consulting former newspaper colleagues who are at the coal face of investigative journalism, and they advised taking care and consulting. That was our recommendation. That caution on getting the change right was reflected in the debate on clause 1 of Lord Lester's Bill last Friday.

However, there is an urgent need to protect legitimate scientific and medical inquiry and honest opinion and comment. It was good to see the Court of Appeal in the Simon Singh case recently decide that libel courts are not the forum in which to settle issues of scientific or medical proof or controversy.

The other major area on which we urged wide consultation was that of corporations and defamation. There was a concern that deep-pocketed litigants could afford to mount libel cases—it is of little consequence to major corporations that the costs could run into millions. In part, the actions were designed to chill investigative journalism and take good journalists out of the game—it takes so much time and effort to counter libel actions. In our report, we highlighted what I describe as the most flagrant abuse of libel laws in recent years in this country: the case that Tesco brought against *The Guardian*. The substance of *The Guardian's* allegation about tax avoidance was true, but the newspaper made mistakes along the way and, even though it was later proved that Tesco was avoiding the tax in question, *The Guardian* felt compelled to settle out of court simply because the costs were mounting inexorably.

In his Bill, Lord Lester does not propose any reversal of the burden of proof for corporations, but requires them simply to demonstrate likely financial loss, which they do not have to do now. I, and I think many people who were in the debate in the House of Lords, do not believe that that goes far enough. Determining what constitutes likely financial loss might, in itself, be a recipe for more costs. For example, should that include shareholders? In the Select Committee report, we made

[Paul Farrelly]

recommendations, and urged the Government to consult widely and consider the experience of other countries, such as Australia, where the law in this respect has been reformed in recent years.

The big elephant in the room, which Lord Lester's Bill does not address, is cost. Cost is the overriding issue. Many of the problems with our libel laws would not be so pressing if it were not for the cost. We are aware that the Government are considering taking forward the Jackson review, but that might take years. We need some indication from the Government as to when the cost issues will be addressed. They are deliberately not addressed in Lord Lester's Bill, but they are the major issue for responsible investigative journalism in this country. My right hon. Friend the Member for Blackburn tried unsuccessfully to achieve progress in the previous parliamentary Session. It is imperative that we get some progress now.

2.53 pm

Mr John Whittingdale (Maldon) (Con): It is a pleasure to follow my Select Committee colleague, the hon. Member for Newcastle-under-Lyme (Paul Farrelly), who played a very substantial role in the Committee's inquiry, both because of his background as an investigative journalist and as a strong proponent of the reform of libel law.

I am extremely pleased to have this opportunity to debate the Select Committee report. It occupied more than a year of our time, and the coming of the general election prevented it from getting the debate that I felt it merited. At the start, it was not the Select Committee's intention particularly to focus on libel law. We realised that it was part of the agenda, but it was not the main issue. We were especially concerned with two things: the behaviour of the press in their reporting of the McCanns case, and what appeared to be the growth of a privacy law in the UK, particularly as a result of the judgment regarding Max Mosley. We devoted a lot of time to both those issues and were then slightly sidetracked into another important matter: the behaviour of the *News of the World* and one of its journalists in intercepting telephone calls. I do not wish to talk about that this afternoon; we spent a lot of time on it in the Committee. My main concern is to highlight the fact that, in my view, the report's most important recommendations, which did not get the attention they merited because of the distraction caused by those other issues, were on libel, and on the concerns that are now widely felt, both in this country and around the world, about how UK libel laws operate.

I would like to put on record a few words of thanks. My thanks go to the staff of the Committee, who had to work very long hours over a lengthy period—not just the staff of my own Committee under Tracey Garratty, our principal Clerk, but Hannah Stewart, who was seconded to us from the Justice Committee. We also had the benefit of the advice of Professor Brian Cathcart and Sara John. We also had a lot of help from lawyers. None of the members of the Select Committee were lawyers and we were dealing with very technical and often complicated legal issues, which required several towels around the head on many occasions. We had a lot of advice particularly from people who came and gave up their time: Sir Charles Gray, recently retired from the High Court, Alasdair Pepper of Carter-Ruck, Andrew Caldecott QC, and Desmond Browne. If they had billed us at their normal rates, the House of Commons would probably have been bankrupted. They gave advice as part of a pro bono publico exercise, which was greatly appreciated.

Joan Walley (Stoke-on-Trent North) (Lab): Members of Parliament who do not have the time to sit on a Select Committee or who are not appointed to one owe a debt of gratitude to those who do serve. As a Member of Parliament who is not on a Select Committee, I should like to say that many of us have really valued the very detailed, technical and legalistic work that has been done by this Select Committee. Does the hon. Gentleman agree that that makes it all the more important that the Minister, in his response, should recognise that these are not just the recommendations of this particular Committee as a result of the work done by people such as my hon. Friend the Member for Newcastle-under-Lyme (Paul Farrelly) and others, but that this is the Select Committee speaking on behalf of the whole of Parliament? That is why it is important that the Government respond to the individual detailed recommendations.

Mr Whittingdale: I entirely endorse the hon. Lady's comments. That is exactly the value of Select Committees, and I am pleased to say that they are becoming more widely recognised. When we set off, we did not anticipate that the inquiry would be quite as long and detailed as it was. It was, however, one of the most fascinating and satisfying inquiries in which I have participated. At the same time as we were having the debate in the House, there was a substantial debate and a growing clamour outside the House. I should pay tribute, as my colleague from the Committee has already done, to the work of Index on Censorship, English PEN and Sense about Science. As part of their campaign they mounted a petition, which I think received 52,000 signatures, and I imagine that every Member of the House will have received e-mails from constituents expressing their concern about the operation of the libel laws. It is not an immediately obvious subject for generating great concern, but it is becoming such an important issue that a lot of people feel very strongly about it.

The two principal conclusions that we reached—I will go into a little detail in a minute as to why we reached them—were that, in this country, the way the libel laws are balanced and the costs attached to going to court in a libel action are having a seriously damaging effect on investigative journalism, standards within the press and legitimate scientific debate. As a passionate believer in freedom of speech and in the essential role that a free press must play in a healthy democracy, I believe that that matter should be of concern to every Member of the House.

However, as if that were not enough, the Committee also discovered that Britain is now cited alongside authoritarian countries as a place where the press is being suppressed because of the actions of the state—in this case, the libel laws. Committees are sometimes criticised for going on foreign trips, but, in this example, it was immensely valuable that we were able to go to America and talk to some of the people who were directly affected, including authors and journalists. We

also discussed with the American judiciary how they viewed our system, and we spoke to legislators at state and federal levels. I shall deal later with libel tourism, which is very important.

A host of different issues affect the operation of our libel laws. Some of them are being dealt with, or at least addressed, in Lord Lester's Defamation Bill, and I was pleased to hear my hon. Friend the Minister speak about the Government's intention to examine all the issues and, in due course, to produce a draft Bill that we can debate at length. It is reassuring that they have taken on board the necessity of addressing the matter urgently. However, as the hon. Gentleman said, probably the biggest issue affecting the whole libel system in the UK—how much it costs for somebody to defend a libel action—is not covered by Lord Lester's Bill. None of us imagines that lawyers are ever cheap, but, in the case of libel, trials are often very long, no legal aid is available, and solicitors and barristers charge, frankly, eye-watering sums.

We had a slightly surreal debate in the Committee between various lawyers as to whether the average was £400, £500 or even £600 an hour. To most people, any of those three figures is extraordinary, and, given the time that can be taken, it is easy to see how the clock ticks quickly and the amount of money increases rapidly, to the extent that it is now said that the cost of a libel case in the UK is some 140 times the European average.

Paul Farrelly: Does the hon. Gentleman agree that the hourly rates actually double in many of the cases that are brought under conditional fee arrangements? The record shows that the so-called no win, no fee scenario is, as one would expect, nearly always a case of always win, double the fee.

Mr Whittingdale: The hon. Gentleman pithily encapsulates the situation, which I shall come on to later. He is absolutely right, and that makes the situation even more damaging for any defendant facing a libel action.

My hon. Friend the Minister referred to the work of Lord Justice Jackson, who gave evidence to the Committee alongside the Master of the Rolls and addressed the broader question of costs in all civil litigation. I know that the Government have listened to his advice, which was that we should not pick out one particular branch of civil law and address that, but address the whole thing together. As my hon. Friend said, that was not the view of the previous Government, and I have some sympathy with their position. The matter is urgent, which is why the then Justice Secretary, the right hon. Member for Blackburn (Mr Straw), decided to move on defamation cases ahead of the rest of civil litigation. I hear what the Minister says, but I hope that there will not be further delay—we must address the matter quickly. By all means, let us address it in the round and look at all the costs involved in civil litigation, but let us not spend a long time doing so.

Various solutions have been advocated, and we probably need to adopt a combination of them. The first thing the Committee considered was the suggestion simply to cap costs—to set a limit beyond which one should not be able to go. We accepted the evidence we received that that is a blunt instrument. It is difficult to predict the direction of a case, so capping is probably not a realistic solution. However, various solutions undoubtedly could be introduced: greater cost budgeting and case management, and a pause every now and again to see how costs are progressing. Those are sensible options, but the real problem, as the hon. Gentleman said, is conditional fee arrangements, which were introduced with wholly good intent. I absolutely accept that the wish to make the legal process available to people who would otherwise struggle to afford it is an entirely worthy objective. The intention was that a legal practice would be allowed to charge a success fee if it won a case, in recognition of its risk in taking on a CFA. If it lost the case, it would not get any money, so the fee was a return for the risk.

The problem we discovered fairly rapidly was that the practices that specialise in CFAs are very thorough and do not actually take any risks. They go through the cases that are put to them for potential CFAs and accept them only if they are almost certain that they will win. We struggled to get the exact figures for the proportion of CFA cases that were won and lost, but it was clear that, overwhelmingly, cases taken on a CFA were a pretty safe bet. On that basis, we found it difficult to understand why firms needed a 100% success fee on top of their costs. As I said, the costs are astronomical to begin with; they then double them, as the hon. Gentleman indicated, by imposing a success fee.

That is not the end of the story. An additional cost is after-the-event insurance, which is a premium taken out by the claimant in case they do not win, and which is chargeable to the defendant in the event that they lose. Such insurance can cost anything up to £65,000 plus tax for every £100,000 worth of cover, so we are now talking about almost 270% of the costs that can be awarded against a defendant in a libel action. The extraordinary thing about after-the-event insurance is that if the defendant loses, obviously he will have to pay the claimant's premium, but if the claimant does not succeed, he does not have to pay the premium. The insurance is marketed on the basis that one can take it out but not have to pay for it at all. It is simply another cost imposed on the defendant, and, because there is really no incentive for a claimant to keep costs down, it is a licence for companies to set their own sums and print money.

The effect of those three things taken together is that now many newspapers will not seek to defend a libel action, even if they are convinced that they have a strong case. They will regard it as quicker and cheaper to settle out of court. Perhaps even more worrying is that often they will not print the story in the first place, simply because of the danger that they might get sued. That chilling effect on press freedom and journalism causes great concern.

Paul Farrelly: The hon. Gentleman mentioned cost-capping and the importance of speedy reform. Does he agree that costs have become so surreal that when capping is mentioned as a measure to try to reduce them, a great number of the legal fraternity argue that it could increase costs because of the cost of cost-capping meetings, and that, as a consequence, nothing happens?

Mr Whittingdale: I entirely agree with my hon. Friend—I call him my hon. Friend in the spirit of the Select Committee. What he describes introduces another legal

[Mr Whittingdale]

argument, which is, of course, billable. I will not say that this is a racket, but the lawyers do very well out of the process.

The Committee came up with a couple of recommendations to address these problems. The previous Government suggested that a 10% cap be set on success fees, but as my hon. Friend the Minister rightly said, the proposal did not find favour in the House when it was introduced before the election. The Committee's solution was not quite to introduce a straight 10% cap, but to say that the success fee that could be recovered from a defendant should be set at 10%. We did not feel it right to interfere with the arrangement between the claimant and their legal representatives; if the claimant wishes to pay a proportion of their damages in the form of a success fee, that is a matter for them. However, we said that the legal entitlement to recover from the defendant could be capped at 10%. Furthermore, for the reasons that I have set out, I view after-the-event insurance with some scepticism, and the Committee said that it should be made irrecoverable in its totality. I remain of the view that those two measures are sensible and would go a long way to removing the sting in conditional fee arrangements. Obviously, that will be a matter of great debate over the coming months, and I leave it to the Minister to ponder those issues.

The issue is not just costs; there is a whole variety of other issues, many of which Lord Lester's Bill addresses. One issue is the multiple publication rule. Libel laws were written when the internet did not really exist, and its advent has changed everything. That is true of the permanence of articles and statements, which can now be found on Google at the press of a button. The old Duke of Brunswick case also becomes much more serious in the age of the internet. Clearly, it is widely recognised that that should be addressed.

There are a couple of defences that must, on the face of it, make sense, but which are slightly unclear in legal terms at the moment. One is the defence of fair comment, and I want to say a quick word about the impact of libel law on proper scientific debate, an issue on which Sense About Science has done a lot of work. I pay particular tribute to Simon Singh, who is a very brave man for deciding not take lying down the legal action brought against him by the British Chiropratic Association after he suggested that there might be some debate about the medical effectiveness of chiropracy in treating certain conditions. He was willing to put up a great deal of money from his own account to appeal the judgment. Several scientific journals now say that they hesitate before carrying perfectly legitimate scientific papers that contribute to debate, because of the potential for organisations, and particularly big corporations, to bring libel actions. Libel is about whether someone is defamed; it should not be used to interfere with scientific discourse, which is important if scientific knowledge is to advance. The fact that Simon Singh was willing to defend himself and proved triumphant in the end was important and drew attention to the fact that the issue needs to be addressed.

The other defence that the Committee looked at, and which the hon. Gentleman mentioned, is the Reynolds defence of responsible journalism. The two landmark cases of Reynolds and then Jameel set out the hurdles that a defendant must demonstrate they have got over before they can use the defence of responsible journalism. There is some debate about the difficulty of meeting each of those tests, with the result that few defendants have used this defence, which has been a cause of concern to us.

It was drawn to my attention not more than two hours ago that the outcome of the Flood *v.* Times Newspapers case has been published. This is the first occasion on which the Court of Appeal has overturned a Reynolds defence. Times Newspapers used a Reynolds defence in an action brought against it by a Metropolitan police sergeant. It said that what it had published was in the public interest and that it had met the relevant tests, but the Court of Appeal overturned the initial judgment on appeal. I do not want to say anything about the merits of the individual case, but I imagine that the fact that there is a further constraint on using the Reynolds defence will mean that adopting it becomes even less attractive to serious newspapers. I share the view of the hon. Gentleman that putting these things into statute carries a risk as well and that it might not be the most sensible way of strengthening them. However, it is important that it should be a legitimate defence for journalists investigating stories that are plainly in the public interest—we are talking not about muck-raking, but about serious investigative journalism—to show that they have used their best endeavours to meet all the various tests. We may need to look at that again in the light of certain developments.

Paul Farrelly: Does the hon. Gentleman agree that the conclusions of the libel working group also highlighted the danger that a codification in law could become a rigid checklist in itself? It would also be very costly to mount a defence. However, the group was more sympathetic to statutory backing for the principles that underlie a defence of responsible journalism, which have already been developed in common law. That might be a fruitful way of proceeding.

Mr Whittingdale: The flexibility that that might provide is clearly better than having a very detailed set of boxes, each of which has to be ticked. The hon. Gentleman's suggestion is probably a sensible way to develop things.

Taken together, all these issues would go some way towards not weakening our libel laws, but restoring people's absolute right to defend their character and reputation. The other side of that coin, however, is the right of the press to investigate and to expose, and the right of scientific journals to carry out legitimate debate. I hope that all those things will feature in the Government's draft Bill.

I turn now to the way Britain's libel laws are viewed overseas, because that should be of huge concern to the Government. The issue is encapsulated in the case of Rachel Ehrenfeld, whom the Committee met when it went to the States. She wrote a book in which she suggested that a Saudi Arabian business man, who has Irish citizenship, was in some way providing financial support to al-Qaeda and terrorism. An action was brought against her in the UK on the basis that 23 copies of the book had been sold here. Obviously, it was also accessible on the internet, so there was publication in that sense as well. However, the book was not widely

available in the UK, and it is fairly clear that the case was brought here not because this was where the damage was done, or because Rachel Ehrenfeld or the Saudi Arabian had British citizenship, which they did not, but because the libel laws here were seen to favour claimants. On the back of that, we discovered that there are now widely shared fears in the United States. The Association of American Publishers submitted a statement to the Committee on the Judiciary of the US House of Representatives, which described libel tourism as

"the cynical exploitation of plaintiff-friendly foreign libel laws as a weapon to intimidate and silence U.S. authors and publishers."

There is no doubt about which foreign libel jurisdiction it had in mind.

Dr Julian Lewis (New Forest East) (Con): I am not an expert in the area in question, although I have more than once had to bring a libel action. I think I am right in saying that in America pretty much anyone in the public eye can falsely be accused of quite serious wrongdoing but will have no recourse to a defamation suit. I acknowledge that the case that my hon. Friend used as an example is worrying, but I hope that he will not argue that we should adjust the libel laws in this country to prevent people who are defamed from taking action, just because in America people who are defamed are not allowed to take action. It would be a retrograde step to allow open season on reputations to the extent that that is allowed in the USA.

Mr Whittingdale: My hon. Friend raises an important point, and I agree. My hon. Friend the Member for Shipley (Philip Davies), who sadly cannot be present, thinks that we should move towards the American system, where two things apply. First, the burden of proof is reversed and it is up to the people concerned to prove that they did not do what is alleged, whereas here a newspaper or journal must demonstrate that they did. Secondly, in America the first amendment trumps virtually everything. It is essentially impossible to get a pre-publication injunction. The Committee was told by people in public life that for such people there is essentially no defence against libel other than to make their case in public and try to convince people that what was said was wrong.

I do not go that far. Some of the criticism of the UK's libel laws in America is based simply on the fact that they disagree with our stance and think that we should adopt their system. That is not the reason I am concerned. I am concerned about the use of the UK courts by people who have no connection with the UK; it is the tourism aspect. That is a much narrower, but nevertheless very important, issue. As an example of the consequences I want to quote a joint submission to the Select Committee by Advance Publications Inc., the Association of American Publishers, Associated Press, Bloomberg, CBS television, Global Witness, Human Rights Watch, the *Los Angeles Times*, Macmillan, NBC, *The New York Times* and others. Perhaps the most important passage reads:

"Leading US newspapers are actively considering abandoning the supply of the 200 odd copies they make available for sale in London—mainly to Americans who want full details of their local news and sport. They do not make profits out of these minimal and casual sales and they can no longer risk losing millions of dollars in a libel action which they would never face under US law. Does the UK really want to be seen as the only country in Europe—indeed in the world—where important US papers cannot be obtained in print form?"

Paul Farrelly: I do not want this to become a conversation between members of the Select Committee, but does the hon. Gentleman agree that in the internet age matters go rather further than that? We received evidence that aggressive firms in the field of so-called reputation management—the two names that came up most frequently were Schillings and Peter Carter-Ruck and Partners—were finding so-called defamatory articles on the internet and scouring the world for potential plaintiffs on whose behalf they could act, simply because the article was accessible from the UK. They could point out to such people the fact that they might well win under Britain's libel laws and say, "So bring an action."

Mr Whittingdale: I think that there is evidence of that. I hesitate before accusing the two firms that the hon. Gentleman named, although they happened to crop up time and again in evidence. Concerns have been expressed about the way CFAs are used in ambulance-chasing cases—with ads on television saying, "Have you fallen over? Ring up this lawyer, because you can win thousands of pounds." This is basically the same thing, so there is a legitimate concern.

I think that what should really make the Government concerned, in relation to attitudes towards the British system, is the fact that it is not only publishers and newspapers that are making such comments. The UN Committee on Human Rights, members of which we met, has been very critical of the UK system. In addition, the US Government, at state and federal level, is taking action in response. We went to Albany, where New York state has passed what is called the Libel Terrorism Protection Act. The title is intended to suggest that we have been giving active succour to terrorism through our libel laws. The Ehrenfeld case was the cause of it; indeed, Rachel Ehrenfeld went to the New York state legislature to press for action to be taken.

The Act allows a judgment against an American citizen to be ignored or overturned in America if it is shown to be a breach of his or her first amendment rights. However, that has happened not only in New York state; such legislation is appearing in other states and has also passed into Congress. I have the report of 13 July—two days ago—stating that the Senate Judiciary Committee unanimously passed bipartisan legislation aimed at protecting authors and journalists from libel law suits filed abroad. Essentially, the New York Bill has now been taken up, and it looks as though it will pass into federal law.

When the previous Lord Chancellor, the right hon. Member for Blackburn, gave evidence to the Select Committee, he said first that he was not convinced that the situation was a great problem. Secondly, he did not seem terribly fussed even if foreign Governments were taking the attitude I have described. He said that we had learned that there had been no representations from the British embassy to defend our system; those concerned had sat by and let these things go on. I find it profoundly worrying that Britain's closest ally—the country that, whatever one thinks of America, is regarded as a bastion of free speech—should regard us as so restrictive and hostile to the principle of free speech that it feels it necessary to pass an Act such as I have outlined. Although that Act does not specifically refer to the UK, it is perfectly clear that it is directed at this country. I hope that, given that the Bill is now actively passing through

[Mr Whittingdale]

the Senate and Congress, the Minister will start to talk to American legislators as a matter of urgency, and perhaps reassure them that the Government intend to deal with the issue.

Paul Farrelly: Does the hon. Gentleman agree that, very soon after making those statements to the Select Committee, the previous Lord Chancellor was open-minded enough to change his mind completely? He added the issue of libel tourism firmly to the remit of the libel working group, and one of the four main areas on which it reported at the end of March was libel tourism and reforms to court procedures to stop abuse of process and abuse of forum.

Mr Whittingdale: Indeed, that is right, and the hon. Gentleman is correct to draw attention to it. I am delighted that the right hon. Gentleman came round to our view that the matter was a serious one, that needed to be addressed.

One or two other matters occurred to the Committee, one of which was referred to in passing by the hon. Member for Newcastle-under-Lyme, although, perhaps out of modesty, he did not devote as much time to it as it deserves. That is the issue of this place and the reporting of our proceedings. It is well known that the hon. Gentleman uncovered the existence of a super-injunction taken out on behalf of Trafigura and tabled parliamentary questions about it, which led to a spat between Carter-Ruck and *The Guardian* about whether it was legitimate to report the fact that those questions had been tabled. There is no question about where parliamentary privilege lies: the hon. Gentleman is completely protected under parliamentary privilege in tabling those questions.

The situation becomes a lot less clear—this was news to me—in respect of a newspaper's right to report the fact that the hon. Gentleman had tabled the questions. Previously, I had the impression that the reporting of responsible activity was allowed, under the Parliamentary Papers Act 1840, but Carter-Ruck argued vigorously with *The Guardian* that the super-injunction prevented the newspaper from reporting the questions. *The Guardian's* in-house lawyer confirmed that that was her view as well. It later became apparent that the House authorities probably shared Carter-Ruck's view. In my view, that is a profound threat to this place.

In a way, there is no point in our being able to say things in Parliament or table questions if nobody is allowed to report them. In the Select Committee's view, any uncertainty about reporting parliamentary proceedings and the extent to which privilege allows Members of Parliament to raise matters with a degree of protection against libel action needs to be addressed quickly and removed. Lord Lester has included this in his Bill.

The two last things that I will mention are not principally about libel, but touch on it. We Committee members spent a lot of time considering privacy, and the balance between articles 8 and 10 of the European convention on human rights, which has been used to bring in a privacy law in this country. That matter touches on libel because some people now choose to use privacy legislation rather than libel legislation. Those two kinds of legislation are not separate. Under privacy legislation, people do not necessarily have to say whether the story is even true—they can just use such legislation to prevent it from being published. That needs to be borne in mind if we are going to have the thorough overhaul that I hope the Minister intends.

The last area that I should like to mention, which is complementary to libel law, is the self-regulatory mechanism adopted by the press—the Press Complaints Commission—which the Committee supports. There is a lot of debate about the effectiveness of the PCC, but it offers an alternative. If people choose to go to court and mount a libel action, it can take a long time and cost a lot of money, but at the end they might get a definitive statement that they have been defamed—and they may get a lot of money as a result. The PCC can take action quickly and is free, but people do not get any money: the most that they can hope for is a judgment by the PCC that the newspaper was wrong to carry a story. Each option has alternative attractions; each mechanism is useful, and one cannot substitute for the other.

The Committee was concerned about the most serious serial libel that has taken place in the past 50 years—perhaps within memory—which is that suffered by the McCanns, who were subjected to libel not once, but day after day, and not just in one newspaper, but in newspapers across Fleet street. That was eventually recognised and a lot of apologies were made, and payments were also made, but it cannot have made up for what they suffered at what was already a terribly distressing time for them. We were concerned that the self-regulatory mechanism of the press appeared to have failed in that instance, and we made a number of recommendations about how it should be strengthened. The role of the PCC needs to be borne in mind when looking at libel, because it and the courts deal with similar problems, but perhaps from different ends.

I think that I have spoken for long enough, but I have spoken for so long because we in the Committee spent a great deal of time on this serious issue. I am pleased that statements in the manifestos of all three parties, and in the programme of the coalition Government, are now being progressed and that the Government have made it clear that they are determined to take action in this area. I hope that we, as a Committee, have helped that process and that we will continue to do so in the debate on the draft Bill when it appears.

3.35 pm

Helen Jones (Warrington North) (Lab): It is a pleasure to speak under your chairmanship, Mr Benton.

We have had an interesting debate. I congratulate the members of the Culture, Media and Sport Committee on their contributions to the debate; they have done an enormous amount of work on this issue. I was pleased to hear the Minister set it out clearly that, although he wants to take action to reform the libel laws, that is a complex matter and a delicate balance that has to be struck. He set out clearly the need to protect academic and scientific debate and investigative journalism, and the problems in respect of the costs in civil proceedings, particularly libel proceedings.

My hon. Friend the Member for Newcastle-under-Lyme (Paul Farrelly) also stressed the need to get the change right, and I think all hon. Members would agree. He

also touched on the role of corporations in defamation cases and the possible damage to investigative journalism that can result from that.

The Select Committee Chair, the hon. Member for Maldon (Mr Whittingdale), set out clearly the state of the law and the damage that can result from that, particularly the problems that we are dealing with in respect of success fees and costs.

All the contributions to the debate reflect the real concern about the state of the law and the complex nature of the reforms that are needed. The Select Committee report on press standards, privacy and libel made a useful contribution to the debate. Others have made useful contributions, too. For instance, a number of early-day motions have been tabled in the House, and English PEN and Index on Censorship produced reports, leading the then Secretary of State for Justice, my right hon. Friend the Member for Blackburn (Mr Straw), to set up the Ministry of Justice working group on libel, which produced a report last year.

We all face the problem that any reform of the law needs to do a number of different things: protect the right of free speech, particularly following the Singh case; protect that right in free scientific debate and inquiry; and protect the rights of campaigning investigative journalists who publish articles that are in the public interest. But it also needs to ensure that those who are defamed, particularly those of modest means, have recourse to the law to protect their reputation. The hon. Member for Maldon mentioned the libels suffered by Mr and Mrs McCann. I do not think that any hon. Member in this Chamber would suggest that people in such a position ought to be debarred from having recourse to the law because they are not wealthy.

We face difficulties in drawing up a new law, but I am pleased that all parties are now committed to doing so. The Labour party manifesto for the election committed us to changing the law to protect the right of defendants to speak freely. The Conservatives and the Liberal Democrats also committed themselves to reform. I genuinely do not believe that this is a party political issue and I say that as someone who is normally a tribal politician. The House needs to scrutinise this issue carefully to get the balance of the law right.

It is clear that so-called libel tourism is causing real concern. In fact, English PEN and Index on Censorship argued that English libel law imposes unnecessary and disproportionate restrictions on free speech, and that the effect reaches throughout the world. Many of us might not go as far as that, but it was clear when the Select Committee considered the matter that restrictions may be necessary on claimants whose primary place of residence or business is not in the UK, and that they should perhaps face additional hurdles before being able to bring a case here.

It is also clear that the scope of the defence of public interest set out in the Reynolds and Jameel cases needs clarification. I hear what hon. Members have said about the risks of putting that defence into statute—I am minded to go down that route—but we must consider the rule on multiple publication, particularly in the age of the internet. The Select Committee suggested a limitation period of one year, with the courts having discretion to extend that. Again, it was clear that a balance must be struck between allowing individuals to protect their reputation, and ensuring that newspapers and other organisations are not forced to remove articles from the internet simply because the passage of time made it difficult and costly to defend them.

The report for the Ministry of Justice set out two options: a one-year limitation rule, or retaining the rule on multiple publications but allowing exceptions—perhaps the extension of qualified privilege or a similar freestanding defence.

Paul Farrelly: Lord Lester's Bill addresses qualified privilege. Does my hon. Friend agree that the law on qualified privilege is not now working to provide protection as it should and was intended to do, particularly of the work of non-governmental organisations? They often feel constrained, for example, in referring to United Nations reports or reports from overseas bodies that make allegations because they fear a libel suit in which they must prove all the allegations themselves rather than relying on the report of otherwise august bodies?

Helen Jones: My hon. Friend makes a valid point, and I hope that we can examine the issues in detail when the draft Bill is before us. I want to state clearly that by focusing on, for example, libel tourism and cases brought by wealthy individuals, we are sometimes in danger of forgetting that others must also have access to the law. We all agree that justice is not justice unless everyone has access to it.

That leads me to what is frequently described as the elephant in the room—costs and conditional fee agreements. The Constitutional Affairs Committee considered the matter in the previous Parliament, and received a large number of submissions from media organisations indicating that they are particularly affected by the use of CFAs. The Committee said that one of the main issues for defendants in libel cases is costs. When Lord Phillips of Worth Matravers gave evidence to that Committee, he highlighted the problem of costs in defamation actions, and expressed many people's concern that fighting and winning a case could incur substantial costs that a defendant might not be able to recover. That is a valid point, but the Committee pointed out and we must bear it in mind that while it received many submissions from media organisations, it is much more difficult to receive submissions on behalf of claimants because they are not in organised groups that can give evidence to Select Committees.

We all know that the balance is delicate. The previous Government sought to deal with the costs of defamation actions before taking action on Lord Justice Jackson's report by limiting the uplift in CFA cases to 10%, but that did not find favour with the Committee that scrutinised it in the House. I remember that very well because I was the Whip on the Committee, and it was the only one I have ever lost. Since then, some wise heads have suggested slightly higher limitations and other ways of capping costs.

Paul Farrelly: As other hon. Members have said, we made a distinction between limiting the uplift in defamation cases and limiting recoverability. Does my hon. Friend agree that in such cases the issue is reputation, and that damages should be secondary? It should be possible for claimants to share damages with solicitors in part to contribute to their costs. That would not be limited by capping recoverability from the other side.

Helen Jones: My hon. Friend highlights an interesting suggestion by the Select Committee, but the issue that we must grapple with is whether solicitors' firms would be prepared to take cases in those circumstances. That is why I welcome the Minister's commitment to publishing a draft Bill, and to having pre-legislative scrutiny of the issue. I do not believe that there is a debate between us about what we want to achieve, but there is and must be a debate about how we achieve it. The law in this area, as has been said many times, is extremely complex and difficult, so it is right that the House examines it in detail, goes through the process of pre-legislative scrutiny—the previous Government also intended to do that—and comes to a proper conclusion.

We certainly want to protect the media's right to publish articles that are in the public interest—we all know that that is slightly different from being interesting to the public—and we all want to protect the right of scientists to engage in proper scientific debate and discussion. That is vital. It is also important that people can protect themselves from malicious and untrue attacks. I was pleased to hear the Minister and others accept that we must get the balance right.

Dr Lewis: I totally agree with the hon. Lady's measured approach. On a couple of occasions when I was defamed, I knew that the sources were malicious opponents, and in a recent case a political opponent at a general election. Such people do not have the guts to publish the libel; they go to a newspaper, which then publishes it, and the malicious source is protected by the newspaper, which says that it must guard its sources and never reveal them. Before we lose too much sleep over the plight of newspapers when attacking individuals' reputations, let us remember that, to some extent, they bring much of it on themselves by happily recycling malicious falsehoods put forward by people who do not have the guts to say it for themselves.

Helen Jones: Unfortunately, the hon. Gentleman has far more personal experience of defamation actions than me. It is important to stress that it is fundamental to free society that we protect the rights of investigative journalists to publish comments that may be uncomfortable for people and which they may not want published, but which it is in the public interest to publish. At the same time, we must protect individuals from malicious and untrue attacks. How we engage with the draft Bill when the Government publish it will be a test of the House's seriousness. It is true—we have experience of this—that pre-legislative scrutiny improves legislation. This time, we have a chance to get the laws on defamation right for a generation.

Hon. Members who have spoken in the debate and the various Select Committees that have looked at this subject have made valuable contributions, and I look forward to discussing the issue further. The House should engage in that complex process and draw on the valuable experience that is provided by a number of hon. Members, either through the Committee or, as was unfortunately the case for the hon. Member for New Forest East (Dr Lewis), through personal experience. I am sure that there is good will in all parts of the House to ensure that the legislation works.

3.50 pm

Mr Djanogly: With the leave of the House, I thank the hon. Member for Newcastle-under-Lyme (Paul Farrelly) and my hon. Friend the Member for Maldon (Mr Whittingdale) for the interesting and helpful views that they have expressed during the debate. I recognise that the co-operative approach taken by the hon. Member for Warrington North (Helen Jones) is the best way to help the Bill to become law.

The wide range of issues that have been raised and the strongly held opinions that exist serve to illustrate the complexity of this debate. They also show the importance of finding solutions that are workable in practice and will achieve a fair balance that preserves and upholds the right to freedom of speech, while not preventing people from taking action to protect their reputation from defamatory material where appropriate. The views that hon. Members have put forward will be of considerable help to the Government in developing proposals for a draft Bill that will endeavour to strike the right balance on those important and sensitive matters.

As I said at the beginning of the debate, I am not in a position today to indicate exactly which provisions may be included in the draft Bill, or to set out conclusively the Government's position on all the individual points raised. However, I assure hon. Members that I will take all the views that have been expressed fully into account, together with those views that have emerged from the recent debate in another place and the outcomes of the informal consultation with interested parties that will take place over the summer. A large number of points have been raised, and I would like to expand on some of them. I do not wish to restrict the consultation process in any way but, I repeat, today is about the Government encouraging debate, not about providing conclusions.

In that vein, let me congratulate my hon. Friend the Member for Maldon on his re-election as Chair of the Culture, Media and Sport Committee, not least because he can now see through his Committee's valuable work on defamation. In a report published earlier this year, the Committee made recommendations on a range of issues relating to the law of libel. Those included proposals on a responsible journalism defence, libel tourism, the defences of justification and fair comment, the ability of corporations to bring libel actions, the early resolution of meaning and issues relating to the internet, and the multiple publication rule.

On CFAs, the Committee agreed that costs were too high and that reform was needed. As my hon. Friend said, the Committee also recommended that in defamation cases, CFA success fees should remain at 100% of base costs, but that only 10% should be recoverable from the defendant. The Committee's approach therefore differed from both the previous Government's proposal to impose a maximum success fee of 10%, and from Lord Justice Jackson's recommendation to abolish the recoverability of the success fee and the after-the-event premium.

I am grateful to my hon. Friend and the members of his Committee for the valuable contribution to the debate made by that report. As the hon. Member for Stoke-on-Trent North (Joan Walley) noted, many of the issues raised were also included in a report entitled "Free speech is not for sale", which was published by English PEN and Index on Censorship last autumn, in a report by the Ministry of Justice's libel working group

in March this year, and in Lord Lester's private Member's Bill. I would like to extend the Government's thanks to all those involved in considering those important matters. I confirm that their views will be taken into account both in our review of the substantive law and in how we progress the issue of CFA reform.

Paul Farrelly: Will the Minister give way?

Mr Djanogly: I am moving on to CFA reform, if that is what the hon. Gentleman wishes to speak about.

Paul Farrelly: It is.

Mr Djanogly: Then the hon. Gentleman should listen—I knew that I would not get away by saying just that. He addressed the issue of cost and mentioned the statutory instrument produced by the previous Government at the end of the previous Parliament. I would like to explain our thinking on that issue. I confirm to him and to my hon. Friend the Member for Maldon that we are firmly committed to taking timely action to reduce the high costs under CFAs, while ensuring appropriate access to justice. As my hon. Friend spelled out in great detail, the high cost of CFAs is a concern not only in defamation proceedings, but more widely across other areas of civil litigation. I was pleased that he thought it important to look at the issue in the round, and I confirm that we will not delay the process as a consequence of that.

I am conscious that, as the hon. Member for Warrington North said, the attempt by the previous Government to limit CFA success fees in defamation cases through the Conditional Fee Agreements (Amendment) Order 2010 was not recommended to the House of Commons by the Committee. The Labour Government seemed to believe that by reducing the success fee mark up on CFAs and defamation cases, the problems that we are debating today would simply go away. It is true that those who were not rich would have been denied access to justice, but that would not have been the case for a wealthy individual or a corporation that wanted to suppress academic or scientific research, because they would not have wished to use CFAs in the first place. That blundering piecemeal approach is exactly what the Government intend not to pursue, and we will be looking at the issue in the round. I was pleased to hear the hon. Lady agree to that.

Paul Farrelly: The issue is complex. One person who was relieved that the statutory instrument did not succeed was Peter Wilmshurst, who is a consultant cardiologist at Shrewsbury and the University hospital of North Staffordshire. He is being sued by an American company, NMT Medical, and is being defended under a CFA. His problems are that there is one-way traffic. There are costs and delays and ultimately, he has no guarantee of getting his costs back if he is successful in countersuing for libel, or if NMT Medical loses the case. That is an example of the complexity of the issue, and the way that the libel laws urgently need to be reformed because of the costs and complexities involved, and the ability of companies to silence scientific debate.

Mr Djanogly: I disagree that the proposed order would have had the immediate impact that the hon. Gentleman suggests. However, we are moving on and the process is under way. That order sought only to reduce success fees in defamation-related proceedings. Although those proceedings are important, we know that CFAs have been a cause of major concern in other areas such as clinical negligence cases against the NHS, or in the context of the compensation culture debate.

The change that the order sought to achieve was inconsistent with more considered proposals in the field, which were known to the Government at that time. Lord Justice Jackson spent a year considering those proposals and wider issues, and made recommendations in January this year for the reform of CFAs across all areas of civil litigation. In addition, the report by the Culture, Media and Sport Committee entitled, "Press Standards, Privacy and Libel" was published under the chairmanship of my hon. Friend the Member for Maldon. The Government recognise the urgency and the complexity of these issues, but we strongly believe that it is important to consider the case for potential reform across all areas of civil litigation, rather than confine it to individual areas. Lord Young of Graffham is conducting a review into health and safety law and the compensation culture, and we await his report with interest. We are examining the options for reform and will announce the way forward as soon as possible.

My hon. Friend the Member for Maldon discussed funding litigation in a wider context, and I should add that Lord Justice Jackson is persuaded that solicitors and barristers should be permitted to use so-called contingency fees in litigation, subject to appropriate regulation and arrangements for costs recovery. Contingency fees are a type of no win, no fee agreement, under which the lawyer's fee is payable only if the client wins, and is calculated as a percentage of the sum recovered. Importantly, the lawyer's fee is a percentage of the damages, rather than being fee-based. That type of funding is widely available in other jurisdictions, but is not permitted in civil litigation in England and Wales. Lord Justice Jackson considers that contingency fees could increase access to justice. We shall also need to consider his recommendations on that issue.

My hon. Friend also expressed concern on libel tourism. There is a widespread perception that the English courts have become the forum of choice for those who want to sue for libel and that that is having a chilling effect on freedom of expression in other countries. For example, in the USA, a number of states have introduced legislation to prevent foreign libel judgments from being enforced there. I understand that legislation on the issue completed one of its stages in the US Senate this week. My hon. Friend mentioned that.

Although we need to review the implication of that possible law and other laws, such as those coming from the EU, as far as they relate to English jurisdiction, I am concerned that we should not be stampeded into basing our laws on an American world view of free speech. My hon. Friend the Member for New Forest East (Dr Lewis) expressed that point very well in his strong and valuable intervention.

There are mixed views about how far libel tourism is a real problem. A wide range of interesting views were expressed in the Second Reading debate on Lord Lester's Bill in another place on 9 July, including by Lord Hoffmann, who in his speech and in a very interesting lecture earlier this year was extremely sceptical about the extent of any problem in that area. The problem

[Mr Djanogly]

with the Ehrenfeld case, for instance, is that she did not defend the action, so it is difficult to draw conclusions from it. Lord Hoffmann suggested that Dr Ehrenfeld could have relied on the Reynolds defence. I make no comment on that, but those issues will need to be reviewed.

Research that we conducted in the context of the Ministry of Justice libel working group's consideration did not show any significant number of actual cases involving foreign litigants in the High Court in 2009. However, non-governmental organisations have said that a major problem arises from the threat of libel proceedings by wealthy foreigners and public figures, which is used to stifle investigative journalism, regardless of whether cases are in the end brought, so the number of cases alone may not accurately reflect the extent of the problem.

A number of possible approaches have been proposed to deal with any problems that exist. For example, the libel working group proposed procedural steps to tighten the rules and practice to head off inappropriate claims at the earliest possible stage in cases in which court permission is required to serve a defamation claim outside England and Wales. Lord Lester's Bill has adopted a different approach, which focuses on whether the publication in England and Wales can reasonably be regarded as having caused substantial harm to reputation, having regard to the extent of publication elsewhere. We shall consider those proposals and other possible options carefully in reaching a decision on the way forward. In doing so, we will of course have to keep it in mind that there is relevant European legislation—in particular, the Brussels I regulation on jurisdictional matters—with which we shall need to ensure compliance.

The hon. Member for Newcastle-under-Lyme discussed the timing of our considerations of the Jackson review. I can advise him that we intend to revise the relevant cost-related recommendations in conjunction with our review of legal aid. That will be consulting in the autumn of this year, which he will appreciate is before the draft defamation Bill is to be tabled for consultation.

Paul Farrelly: May I come back on that, as the Minister might have expected? I think that I noticed the quizzical brow of my friend the Chairman of the Select Committee, the hon. Member for Maldon (Mr Whittingdale). The Minister's statement on going ahead and more consultation in line with the reforms to legal aid has left me none the wiser as to when that process will come to an end.

Mr Djanogly: As I said, I cannot at this stage give a firm date for when a draft Bill will be published or for when the legal aid consultation will finally be settled. However, I can tell the hon. Gentleman that those matters are moving forward at speed. The legal aid consultation will be published in the autumn. I hope that he will take some comfort from the fact that we are not pushing the issue into the long grass.

Paul Farrelly: With respect, I think that comfort will be taken in certain quarters—I can hear the Bollinger corks popping as we speak.

Mr Djanogly: Given the time for which the Government have been in office, the hon. Gentleman should appreciate that we are moving fairly quickly, despite his suggestion of Bollinger corks popping.

The hon. Gentleman mentioned super-injunctions. In the light of recent concerns highlighted in the Trafigura case and the John Terry case, the Master of the Rolls has established a committee to examine the use of super-injunctions, the principle of open justice and other issues relating to injunctions that bind the press. As the concerns are largely procedural, relating to notification, service of documents and the application of the civil procedure rules and practice directions, it is appropriate for the judiciary to take a lead in that matter. There was a meeting of the committee at the end of June, so I can confirm that the matter is proceeding.

My hon. Friend the Member for Maldon discussed the important issue, contained in Lord Lester's Bill, of parliamentary proceedings being protected by privilege. I agree that that will need to be reviewed carefully, and possibly in the context of a wider parliamentary privilege Bill.

The hon. Member for Newcastle-under-Lyme asked whether restrictions should be placed on the ability of corporations to bring claims for libel. I think that he was referring to clause 11 of Lord Lester's Bill, which would require a claimant corporation to show that the publication complained of had caused or was likely to cause it substantial financial loss. English PEN and the Select Committee suggested that restrictions should be placed on the ability of corporations to sue and that key elements should be a requirement for a corporation to prove actual damage to its business, and the burden of proof being altered.

The introduction of reforms to restrict the circumstances in which corporations could bring a claim would certainly be controversial and would raise a number of legal and practical issues—for example, whether claims between competing companies should be treated differently from those where a company is suing an individual or a newspaper, and how any provisions would affect corporate bodies that were not businesses, such as academic institutions. Also unclear is the extent of any problem in that area and how any difficulties could best be addressed. We would need to consult on and consider the issue most carefully.

As I said, we aim to publish our draft Bill for formal consultation and pre-legislative scrutiny in the new year. I am sure that all the issues raised today will be the subject of extensive further discussion both within and outside Parliament in the context of that consultation and more generally. It is of great importance that we ensure that the law achieves a fair balance between freedom of expression and the protection of reputation. I thank hon. Members again for the valuable contribution to the ongoing debate on these issues that they have made today.

Question put and agreed to.

4.8 pm

Sitting adjourned.